

CITY COUNCIL REPORT



Meeting Date: October 22, 2013
General Plan Element: *Public Services & Facilities – Housing*
General Plan Goal: *Provide services to improve neighborhoods and the lives of Scottsdale residents - Preserve the quality of dwellings and Neighborhoods*

ACTION

Adopt Resolution No.9548 authorizing and directing the Mayor to execute, on behalf of the City, Contract No. 2013-171-COS, a Security Agreement between the City and Holiday Partners, LLC that implements and perfects the City's security interest in the ownership of the following single purpose entities that own the following corresponding properties located in Scottsdale Arizona:

- Casa Cibola Apts, LLC: Casa Cibola property located at 3202-3208 N. 68th Street, Scottsdale, AZ, 85251; Legal Description: Lots 80 and 81, HOLIDAY PARK, according to Book 76 of Maps, Page 14, Official Records of Maricopa County, Arizona;
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**City Council Report | PROPERTY SETTLEMENT WITH COMMUNITY SERVICES OF ARIZONA (CSA)
NON-PROFIT FOR 8 MULTI-FAMILY PROPERTIES**

- Royal Palms Apts, LLC: Royal Palms property located at 4525 N. 74th Street, Scottsdale, AZ, 85251; Legal Description: Lots 25, 26 and 27, DARYL ESTATES UNIT TWO, according to Book 61 of Maps, Page 48, Official Records of Maricopa County, Arizona;
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Resolution 9548 further authorizes and directs the Mayor, the City Manager and their designees to execute, on behalf of the City, any assignments or such other documents as are necessary to carry out the purposes of City Contract No. 2013-171-COS.

BACKGROUND

Federal Home Investment Partnership (HOME) Program funds are provided by the Department of Housing and Urban Development (HUD) and are available to the City of Scottsdale as a result of participation in the Maricopa HOME Consortium. Other members of the consortium include Maricopa County, Avondale, Chandler, Gilbert, Glendale, Peoria, Surprise and Tempe. The City of Scottsdale has participated in and administered the HOME program over the past 18 years. HOME supports a wide range of activities that increase the supply of affordable housing for low-income persons, and housing activities through publically awarded contracts.

The HOME Program is regulated by HUD and administered through the Maricopa County HOME Consortium. HOME Program federal regulations require that the properties provide affordable housing for low-income families for a set period of affordability. Program regulations mandate eligibility requirements for tenants and maximum rent amounts during the period of affordability.

Community Services of Arizona (CSA), a non-profit organization, received HOME funds for the acquisition, rehabilitation and rental of eight multi-family properties in Scottsdale to provide housing opportunities to low and moderate income persons. On January 8, 2013, the City Council approved a series of contracts that allowed CSA to sell all eight properties as one portfolio to a Quantum Realty Partners, LLC, and its affiliated nominee Holiday Partners, LLC, (the "Buyer"), which are for-profit entities. City legal staff worked in collaboration with outside legal counsel to develop these contracts to allow the transfer of properties from CSA to Buyer. The essential elements of this transaction included a separate Buyer's Agreement and a Loan Restructuring Agreement between the City of Scottsdale and the Buyer, a Release Agreement for CSA, and Declarations of Affirmative Land Use Restrictive Covenants for HOME Loan Proceeds (LURAs), which are restrictive covenants that run with the land that were recorded on each property. The contracts require the Buyer to operate the properties as affordable rental units for the remaining affordability periods and in compliance with the HOME Program regulations and requirements.

The Loan Restructuring Agreement between the City and Buyer approved as part of the aforementioned transaction required Buyer (Holiday Partners, LLC) to secure its agreements, with 11559225v1

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respect to each of the eight properties and compliance with the HOME Program requirements for the low-income housing properties, with a pledge to the City of one-hundred percent ownership interest of each single purpose entity formed by Holiday Partners to acquire and own each property. City Contract No. 2013-171-COS was created to accomplish this purpose. City Contract No. 2013-171-COS is a Security Agreement between the City and Holiday Partners that perfects the City's security interest in the ownership of each single purpose entity. It is effective retroactively to January 8, 2013 as part of the transactional instruments.

The Security Agreement allows the City to step into Buyer's (Holiday Partners, LLC's) shoes as owner of the single purpose entities under circumstances where Buyer is in default under any of the contracts. It is intended to further protect the City's interests regarding the properties and ensure that Buyer maintains the properties in accordance with the affordability periods and HOME Program requirements to avoid any City repayment to HUD of the underlying HOME funds. (In the event properties are in non-compliance with HOME regulations and affordability periods, the City could be required to re-pay total amount of HOME funds invested- \$4,002,061-regardless of current property values).

ANALYSIS & ASSESSMENT

Recent Staff Action

City legal staff worked in collaboration with outside legal counsel to develop the Security Agreement and to negotiate and finalize the Security Agreement with Buyer.

Significant Issues to be Addressed

The City's main goals are to protect the City's financial interest to avoid repayment to HUD of the total initial HOME investment, continue to follow and adhere to HUD HOME Program regulations, preserve affordability periods on all properties, regardless of who owns and manages the properties, and continue to provide affordable housing to the citizens of Scottsdale.

This transaction will provide additional enforcement mechanisms for the City to preserve the affordability periods on each of the properties and continue to provide affordable housing opportunities to the citizens of Scottsdale.

RESOURCE IMPACTS

Staffing, Workload Impact

No additional staff is requested in this action. Staff is required to administer the program, monitor the affordability periods, complete audit reviews of tenant files and the properties, and work with the local HUD office to provide affordable housing for Scottsdale residents.

OPTIONS & STAFF RECOMMENDATION

Recommended Approach:

Adopt Resolution No.9548 authorizing and directing the Mayor to execute, on behalf of the City, Contract No. 2013-171-COS, a Security Agreement between the City and Holiday Partners, LLC that implements and perfects the City's security interest in the ownership of the following single purpose entities that own the following corresponding properties located in Scottsdale Arizona:

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Resolution 9548 further authorizes and directs the Mayor, the City Manager and their designees to execute, on behalf of the City, any assignments or such other documents as are necessary to carry out the purposes of City Contract No. 2013-171-COS.

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RESPONSIBLE DEPARTMENT(S)

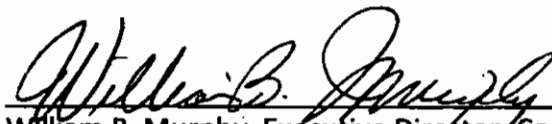
Community Services, Human Services, Community Assistance Office

STAFF CONTACTS (S)

William B. Murphy, Community Services Executive Director, bmurphy@scottsdaleaz.gov

Michelle Albanese, Community Assistance Manager, malbanese@scottsdaleaz.gov

APPROVED BY



William B. Murphy, Executive Director, Community Services
(480) 312-7954, bmurphy@scottsdaleaz.gov

10/7/13
Date

ATTACHMENTS

1. Resolution 9548
2. Agreement No. 2013-171-COS, Security Agreement between the City and Holiday Partners, LLC;
3. UCC Financing Statement by Holiday Partners LLC
4. Resolution No. 9305

RESOLUTION NO. 9548

A RESOLUTION OF THE COUNCIL OF THE CITY OF SCOTTSDALE, ARIZONA, AUTHORIZING THE MAYOR TO EXECUTE CONTRACT NO. 2013-171-COS, A SECURITY AGREEMENT, BETWEEN THE CITY OF SCOTTSDALE AND HOLIDAY PARTNERS, LLC THAT IMPLEMENTS AND PERFECTS THE CITY'S SECURITY INTEREST IN THE OWNERSHIP OF THE SINGLE PURPOSE ENTITIES FORMED BY HOLIDAY PARTNERS TO ACQUIRE AND OWN CERTAIN HOME INVESTMENT PARTNERSHIP PROGRAM-FUNDED PROPERTIES LOCATED IN SCOTTSDALE ARIZONA.

WHEREAS, on January 8, 2013, the City Council approved a series of contracts for purposes of settlement with Community Services of Arizona, Inc. (CSA), which allowed CSA to transfer eight multi-family properties that were funded with HOME Investment Partnership (HOME) Program funds to Quantum Realty Partners, LLC and its affiliated nominee Holiday Partners, LLC, (Holiday Partners) and which provided for the limitations arising from the use of those HOME Program funds to remain in place for the required periods of time; and

WHEREAS, Holiday Partners formed eight wholly owned single purpose entities to own each property; and

WHEREAS, the Loan Restructuring Agreement between the City and Holiday Partners approved by the Council on January 8, 2013 as part of the aforementioned transaction required Holiday Partners to secure its agreements, with respect to each of the eight properties and compliance with the HOME Program requirements for the low-income housing properties, with a pledge to the City of one-hundred percent ownership interest of each single purpose entity formed by Holiday Partners to acquire and own each property; and

WHEREAS, the Parties wish to execute City Contract No. 2013-171-COS, which shall be effective retroactively to January 8, 2013, as part of the transactional instruments, to perfect the City's security interest in the ownership of each single purpose entity;

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Scottsdale as follows:

Section 1. The Mayor is hereby authorized and directed to execute, on behalf of the City, Contract No. 2013-171-COS, which is a Security Agreement between the City and Holiday Partners, LLC that implements and perfects the City's security interest in the ownership of the following single purpose entities that own the following corresponding properties located in Scottsdale Arizona:

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Section 2. The Mayor, the City Manager and their designees are hereby authorized and directed to execute, on behalf of the City, any assignments or such other documents as are necessary to carry out the purposes of Contract No. 2013-171-COS.

PASSED AND ADOPTED by the Council of the City of Scottsdale, Arizona, this 22nd day of October 2013.

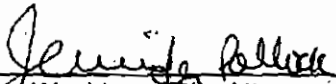
ATTEST:

CITY OF SCOTTSDALE,
a municipal corporation

Carolyn Jagger
City Clerk

W. J. "Jim" Lane
Mayor

APPROVED AS TO FORM:


Bruce Washburn, City Attorney
By: Jennifer Pollock
Assistant City Attorney

SECURITY AGREEMENT
(Collateral Assignment and Pledge of Membership Interest in Limited Liability Companies)

THIS SECURITY AGREEMENT ("Agreement" or "Security Agreement") is dated as of January 8, 2013 between HOLIDAY PARTNERS LLC, an Arizona limited liability company ("Debtor"), as borrower, assignor, pledgor and debtor, and THE CITY OF SCOTTSDALE, an Arizona municipal corporation ("Secured Party"), as lender, assignee, pledgee and secured party. Debtor and Secured Party sometimes may be referred to collectively as the "Parties" or individually as a "Party."

RECITALS:

- A. Secured Party has entered into a Loan Restructuring Agreement with Debtor dated as of January 8, 2013 (the "Loan Restructuring Agreement") by which Debtor has certain pecuniary repayment and non-pecuniary obligations (collectively, the "Loan"). Debtor has agreed as part of, or pursuant to certain conditions for, the Loan to grant certain security interests in favor of Secured Party.
- B. To secure the Loan, Secured Party has required that Debtor enter into this Security Agreement and thereby to encumber, collaterally assign and pledge certain membership interests in limited liability companies to Secured Party.
- C. Upon the Effective Date of this Agreement, (i) the Loan will be due and owing to Secured Party, (ii) value will have been given to or on behalf of Debtor under or on account of the Loan, and (iii) Debtor will have rights in the Collateral described below.

THEREFORE, in consideration of the following mutual agreements and other valuable consideration, the receipt and sufficiency of which are acknowledged, and intending to be legally bound, the Parties agree as follows:

AGREEMENTS:

1. **Certain Defined Terms.** "Collateral" collectively includes all items/categories set forth in paragraph 2, including any particulars described in the attached Schedule 1. References to the "UCC" mean the provisions of the Uniform Commercial Code in effect in Arizona (the "State"). Defined or referenced terms as identified by "*" have the meanings defined in the UCC unless the specific context indicates differently. Other defined terms are as set forth elsewhere in this Agreement or in the Loan Restructuring Agreement.

2. **Collateral Covered by Agreement.** This Security Agreement pertains to "COLLATERAL" that includes: Debtor's interests in and rights to (i) the membership interest of Debtor in the following Arizona limited liability companies, which in each case consists of one hundred percent of the membership interests of each of the companies (collectively, the "Companies"): (1) Villa Ventana Apts LLC; (2) 66th Place Apts LLC; (3) Cheery I LLC; (4) Cheery II LLC; (5) Cheery III LLC; (6) Casa Cibola Apts LLC; (7) Royal Palms Apts LLC; and (8) Shalimar Apts LLC (all of which collectively is referred to as the "Interest") (which may be further described in Schedule 1), the present and future rights of Debtor to receive payments, Money*

or other distributions in or under the Interest or pursuant to any sale, transfer or other disposition of the Interest by or on behalf of Debtor, and all General Intangibles* derived from or related to such Interest; (ii) all Proceeds* therefrom, whether in Money, ownership interests in any other entity, or other property or property interest, whether or not in the ordinary course of business or in connection with any reorganization, merger, conversion, recapitalization, restructuring, reclassification, increase or reduction of capital, liquidation or winding up; and (iii) all records, writings, papers, and data kept or relating to the Interest or any other part or component of the Collateral, in all forms (written, photographic, microfilm, microfiche, electronic or otherwise, and the computer software and other media, together with its related hardware and equipment, as may be required to utilize, create, maintain, process and retrieve the same). If the Secured Party approves of the disposition of assets and consents to distribution by Debtor of the proceeds of sale of the assets, the distribution is released from Proceeds and Collateral as defined in this section.

3. Grant of Security Interest. For valuable consideration, Debtor grants, collaterally assigns and pledges to Secured Party a security interest in the Collateral to secure all Obligations.

4. Obligations Secured. This Security Agreement and grant secures: (i) payment of all indebtedness, obligations and liabilities evidenced by or described in the Loan Restructuring Agreement, including all obligations, indebtedness and liabilities described in the Affirmative Land Use Restrictive Covenants ("LURAs"), the Deeds of Trust, and the Buyer's Agreement described therein, or in any related Loan or Credit Agreement ("Loan Agreement"), (ii) performance of all provisions, covenants, terms and conditions under this Agreement, the Loan Restructuring Agreement, or any other documents securing the Loan Restructuring Agreement, the LURAs, the Deeds of Trust, the Buyer's Agreement, and any other document executed in connection therewith or any Loan Agreement or both (collectively, "Security Documents"), (iii) those obligations required by the statutes, regulations, loan terms, covenants and restrictions attendant to the source(s) of funding applied for or used, or both, by Debtor or any of Debtor's predecessors-in-interest to acquire, construct, rehabilitate, reconstruct, improve or modify the properties against which the LURAs are recorded, (iv) all interest, fees, costs and expenses owed hereunder or under the Loan Restructuring Agreement, any Loan Agreement or the Security Documents, (v) all extensions, renewals, modifications, amendments and replacements of the same, and (vi) exercise by the Secured Party of all enforcement and remedies provisions in relation to any of the foregoing (collectively, "Obligations"). "Obligations" further means all indebtedness, performance and payment obligations, liabilities and responsibilities of the Debtor to the Secured Party, individually or collectively, direct and indirect, joint or several, absolute or contingent, now due or to become due, now existing or hereafter arising.

5. Performance Under Security Documents and Perfection of Security Interest(s).

5.1 Debtor agrees to perform timely and fully all of its responsibilities under the Obligations and to keep all promises to and agreements with Secured Party under all of the Security Documents. This is a continuing Security Agreement and all rights, powers and remedies will apply to all Obligations and it will continue in full force and effect until all such Obligations have been paid and performed in full regardless of any applicable statute of limitations pertaining to any Obligation, or until the same are released by Secured Party.

5.2 Debtor irrevocably authorizes Secured Party to complete and file one or more financing statements or amendments thereto or continuations thereof pursuant to the UCC and pertaining to all Collateral under this Security Agreement. Debtor will pay or reimburse the cost of filing in all public offices whenever and wherever such filing is deemed necessary by Secured Party. Collateral may be described in greater or lesser detail than as set forth in this Security Agreement, to the fullest extent permitted under the UCC. Debtor will cooperate with and assist Secured Party in providing or obtaining written acknowledgments of Secured Party's security in and lien on the Collateral and the Interest. Debtor, upon request, will promptly furnish any information pertinent thereto to Secured Party. Debtor will pledge and turn over immediately all tangible evidence, documents or certificates related to the Interest, if any, for Secured Party to hold while this Agreement is in effect and the Obligations remain unsatisfied in whole or in part; provided, however, it is not the desire of intent of the Secured Party that the Interest be evidenced by any certificate separate and apart from the Formation Documents (as defined hereafter) of the limited liability companies constituting the Collateral.

5.3 Debtor agrees, represents and warrants to Secured Party the following with respect to the Collateral:

5.3.1 Condition of Interest. Debtor has had, or has seen that, true, complete and correct copies of the articles of organization of the Companies (the "Formation Documents") have been delivered to Secured Party. There are no other amendments, modifications, supplements or restatements of the Formation Documents. No default on the part of Debtor exists under the Formation Documents or laws applicable to the formation, continuation or operation of the Companies Debtor is the sole, direct, legal and beneficial owner of the Interest. Debtor on account of the Interest has no present obligation to make further capital or investment contributions in or to the Companies. The Companies have been duly formed and created and is in existence and good standing under the laws of the state of their formation and, if different, the laws of the State, and any other jurisdictions where the Companies conduct business and are required to register or qualify. Except as may otherwise be stated in the Formation Documents, there is no restriction upon the right of Debtor to grant a security interest in, collaterally assign and pledge the Interest to Secured Party, nor are there any limitations on the ability of the Secured Party to exercise all of its rights and remedies under this Security Agreement and applicable law as to the Interest. The Interest has not been and will not be "certificated." Debtor has full power, right and authority to collaterally assign, pledge and grant the security interest in the Interest to Secured Party. Debtor agrees that this Security Agreement constitutes instructions from Secured Party to register as a transfer of the Interest the collateral assignment of the Interest and certifies that, effective simultaneously with the effective date of this Security Agreement, Debtor has registered on the books of the Companies the fact of the collateral assignment of the Interest under this Security Agreement, identifying Secured Party as a secured party and that no other encumbrance is registered on such books with respect to the Interest. Debtor agrees that Secured Party will have none of the obligations or liabilities of Debtor in the Interest solely by virtue of the grant of the security interest in the Collateral. Secured Party may, in its sole discretion, become a substituted member upon election of such remedy by Secured Party under this Security Agreement after an Event of Default, and in that event Debtor consents to the outright and absolute assignment of the Interest to Secured Party and, if Secured Party elects, to the admission of Secured Party as a substituted member in each of the Companies, but Debtor agrees that Secured Party will not be liable for any of the responsibilities or liabilities of Debtor under the Formation Documents unless and until so expressly assumed and agreed to in writing by Secured Party.

5.3.2 Maintenance of "Opt-out" Status Under Formation Documents. Debtor and the Companies have each agreed that so long as this Security Agreement is in effect, that none of them shall take any action whatsoever to "opt-in" to UCC Article or Chapter 8 pursuant to A.R.S. § 47-8103(C) as to the Formation Documents or otherwise, so that the Interest is deemed to be and is a strictly a "general intangible" governed exclusively by UCC Article/Chapter 9, and therefore is not and cannot be characterized as a "security" or any form of "investment property." At the request of Secured Party, Debtor and the Companies will each modify and amend the Formation Documents to provide expressly that there has been, or will there be, no "opt-in" to UCC Article/Chapter 8 pursuant to § 47-8103 or otherwise. In this regard, Debtor will execute and deliver to Secured Party its Irrevocable Proxy Agreement in the form attached hereto as Schedule 2.

5.3.3 Other Actions as to Collateral. Debtor agrees with Secured Party to take or permit any other action requested by Secured Party to insure the attachment, perfection and first lien priority status of, and the unhindered ability of Secured Party to enforce the security interests, rights and remedies in any of the Collateral pursuant to this Agreement or applicable law (collectively, "Enforcement"), including (i) completing, executing, delivering and filing, where appropriate, financing statements, amendments thereto and continuations thereof to the extent deemed necessary or advisable by Secured Party, (ii) complying with any applicable provision of any law, rule, regulation or any treaty of the United States as to any Collateral if such compliance is a condition to Enforcement, (iii) obtaining any necessary governmental or third-party consents and approvals, (iv) obtaining waivers from other secured parties in form acceptable to Secured Party, (v) taking any and all actions required by earlier version of the Uniform Commercial Code or by any other applicable law of the State, any other state, the federal government or any foreign government, and (vi) Debtor waives any claim of marshalling other collateral for the Obligations.

5.3.4 LLC Acknowledgement and Assignment of Interests. Concurrently herewith, Debtor shall cause each Company to execute and deliver to Secured Party an Acknowledgement and Consent Regarding Security Interest in the form attached hereto as Schedule 3. Debtor shall also execute and deliver in blank an executed Assignment of LLC Interest for each Company in the form attached hereto as Schedule 4.

6. Voting or Actions. Unless and until any Event of Default exists uncured under this Agreement, Debtor will have the right to vote the Interest without any notice to or consent of Secured Party; provided, however, that Debtor may not without notice to and consent of Secured Party, agree to permit or join in doing any of the following:

6.1 Issue any more membership interests in any of the Companies that would diminish the value of the security interest granted to Secured Party.

6.2 Merge or consolidate any of the Companies with any other person or entity or liquidate, wind-up, dissolve or suffer any liquidation or dissolution (in whole or in part) of the same, discontinue the business of any of the Companies or convey, lease, sell, transfer or otherwise dispose of, in one transaction or series of transactions, all or a substantial part any of the Companies' assets, whether now or hereafter acquired.

6.3 Engage in any business which is substantially different from the ownership and operation of the assets owned by any of the Companies as of the date of this Security Agreement.

6.4 Make, incur, assume or suffer to exist, directly or indirectly, (i) any indebtedness other than indebtedness permitted by any Loan Agreement pertaining to the Loan or (ii) any lien or encumbrance on any of the Companies' assets or properties other than liens permitted by any Loan Agreement or this Agreement.

6.5 Amend, alter, modify or change any of the terms of any of the Company's Formation Documents.

6.6 Admit any additional member to any of the Companies.

6.7 Transfer of any Debtor's interest in any of the Companies.

6.8 Undertake, authorize or permit any event that would result in a termination or dissolution of any of the Companies, an impairment in the validity or perfection of the security interest granted herein, take any action that would or could be construed to "opt-in" to UCC Article/Chapter 8, or create or permit any Event of Default.

7. **Distributions.** So long as an Event of Default shall not have occurred or be continuing, Debtor has and retains the right to receive all distributions, proceeds or payment with respect to the Interest, except that the following actions shall not be taken without advance notice to and consent by the Secured Party. In deciding whether to give such consent, the Secured Party's sole and absolute judgment and discretion shall be binding as to whether its security interest hereunder and its rights and remedies under the LURAs, Buyer's Agreement, Loan Restructuring Agreement, Deeds of Trust, the conveyance documents, and any other agreements or instruments between the parties, or involving the properties and the SPEs is or may be diminished or impaired to any extent.

7.1 Any liquidating distribution, any distribution or payment as a result of the sale of the business of any of the Companies or their assets and any distribution or payment as a result of the refinancing of any Obligations, in the Secured Party's sole and absolute discretion, must be paid to Secured Party, to be applied first to the obligations then due and to be held as Collateral securing performance under the LURAs until terminated on a particular property, thereafter the remainder if any to be returned to debtor and any others entitled thereto.

7.2 In the Secured Party's sole and absolute discretion, any distribution or payment in property, shall be held by Secured Party as additional security for the obligations and to be held as Collateral securing performance under the LURAs until terminated on a particular property, to be returned to Debtor upon discharge of the foregoing. To effectuate the provisions of this paragraph, at Secured Party's sole option, Debtor will direct that all liquidating and partially-liquidating distributions and property distributions or payment with respect to the Collateral will be paid to Secured Party. Upon receipt of any notice from Secured Party that an Event of Default exists uncured, Debtor will deliver to Secured Party all distributions and payments to which Debtor otherwise would be entitled.

8. **No Withdrawal.** Debtor will, as otherwise permitted herein, perform and observe all terms of the Formation Documents and will not withdraw from any of the Companies as a member, except in connection with any disposition of the Interest upon and after an Event of Default under this Security Agreement.

9. **Special Notifications.** Debtor will notify Secured Party promptly of the occurrence of: (i) any event which will require amendment of the Formation Documents under applicable law; (ii) any additional future capital contributions required to be made by Debtor or any other person under the Formation Documents or otherwise; (iii) any default on the part of Debtor or of any other of the Companies under the Formation Documents; and (iv) the occurrence of any Event of Default hereunder. Debtor will promptly transmit to Secured Party all notices, claims or communications received from any governmental authority, stock exchange, issuer, underwriter or brokerage house with respect to the Collateral.

10. **No Waivers by Debtor.** Debtor will not, without Secured Party's prior written consent, waive any rights, performance of obligations or default under the Formation Documents by any person, or otherwise release or discharge any person who is a party to the Formation Documents, either in whole or in part, and will not consent to the reduction of any distribution or payment required to be made to Debtor by any of the Companies.

11. **Relation to Other Security Documents.** The Obligations are or may be secured by other pledges, security interests and liens. Nothing in those other Security Documents will derogate from or diminish any of the rights and remedies of Secured Party in this Agreement. Any default or "Event of Default" under any other Security Document will, at Secured Party's election, constitute an actionable Event of Default under this Security Agreement.

12. **Warranties and Covenants of Debtor.** Debtor expressly warrants and covenants:

12.1 Except for the security interests granted in this Security Agreement, Debtor owns, or to the extent that this Security Agreement extends to Collateral acquired after the Effective Date will own, or has or will have rights in the Collateral free from any adverse lien, pledge, security interest or other encumbrance. Debtor will defend the Collateral against all claims and demands of all persons at any time claiming the same or any interest therein.

12.2 Debtor's full and correct legal name is that used in this Agreement. Debtor is organized as a limited liability company under the laws of the State of Arizona and if a "registered organization" its registration/identification number is L18155812. Debtor's current address for notices and principal place of business, or if Debtor has more than one place of business, its chief executive office, is that stated below for Notices.

12.3 Debtor will not change its legal name, its place(s) of business, its chief executive office location, its address for notice or its registered organization number without first (i) notifying Secured Party at least 30 days in advance of any such proposed change, and (ii) confirming any such change upon occurrence by notice to Secured Party. Debtor may not change its type of organization, jurisdiction of organization or organization legal structure without first obtaining Secured Party's prior consent thereto.

12.4 Debtor may not sell, pledge, re-pledge, further encumber, destroy or otherwise deal with any Collateral without prior notice to and the written consent of Secured Party (except as otherwise may be permitted in any Loan Agreement).

12.5 Debtor will pay timely any taxes and assessments which may be levied or assessed against the Collateral before delinquency.

12.6 Debtor will not permit or allow any other lien, pledge, security interest or encumbrance whatsoever upon the Collateral and will not permit the Collateral to be attached or replevied.

12.7 Secured Party may inspect or verify records pertaining to any of the Interest, any other part of the Collateral, or the Companies.

12.8 Any income, gain, expense and loss recognized in any Collateral will be reported to taxing authorities under Debtor's name and taxpayer identification number, unless Collateral is received and applied to reduce any Obligation by or on behalf of Secured Party.

12.9 No third-party financing statement covering the Collateral is on file in any public office.

12.10 Neither Debtor nor any of the Companies will take any action(s) whatsoever that might be deemed to be any sort of "opt-in" to UCC Article/Chapter 8 as to the Formation Documents or otherwise in any way applicable to or binding upon the Companies.

13. Performance by Secured Party. At its option, Secured Party may discharge taxes, liens or other encumbrances at any time levied or placed on the Collateral, pay any sums due to third parties holding or administering any Collateral, and otherwise take steps deemed necessary to preserve and protect the Collateral and its value. Debtor agrees to reimburse Secured Party on demand for any payment so made and until such reimbursement the amount paid by Secured Party will be added to the Obligations as additional principal under the Note and bear interest at the after-default rate under the Note until paid. Secured Party has no responsibility or liability as to any matter pertaining to the Collateral, and has no duty to protect or realize upon the Collateral except for those responsibilities imposed upon it by the UCC. As to all Collateral actually pledged to and held by Secured Party, Secured Party will take such care as Secured Party gives to the safekeeping of property of a like kind owned by Secured Party, and that will constitute reasonable care of such Collateral when in Secured Party's possession. Debtor releases Secured Party from any liability for any act or omission relating to the Collateral, except for failure to exercise good faith and the above-specified reasonable care, or from willful misconduct.

14. Default and Remedies. A default will occur if: (i) default occurs in the payment or performance of any of the Obligations, (ii) theft, destruction, sale or encumbrance of or to the Collateral, (iii) death, dissolution, termination of existence, insolvency, business failure, appointment of a receiver of any part of the Collateral, assignment for the benefit of creditors by or the commencement of any proceedings under any bankruptcy or insolvency law by or against Debtor, (iv) any default exists uncured under the terms of this Security Agreement or other Security Documents, or (v) if Secured Party deems itself insecure (collectively, "Event(s) of Default"); then, upon any such Event of Default Secured Party may, at its election, declare the entire amount of the Obligations then outstanding due and payable at once, and Secured Party will have the rights and remedies of a secured party under the UCC, including the right to take possession of the Collateral. Debtor agrees, upon request of the Secured Party, to relinquish and grant exclusive control of any Collateral to Secured Party upon demand. Any requirement of reasonable notice of any disposition of the Collateral will be satisfied if such notice is mailed to the address of the Debtor designated above at least ten days before the time of such disposition. Secured Party may dispose of Collateral without giving any warranty, express or

implied, and warranties of title or otherwise may be disclaimed in any such disposition. In any disposition upon credit, Debtor will receive the benefit only of payments actually made by a purchaser and received by Secured Party. Secured Party may acquire Collateral by credit bid(s) at any disposition permitted under the UCC. Secured Party may, but has no duty to, notify and collect from any other Obligors under the Obligations. Debtor recognizes that Secured Party may be unable to effect a public sale of all or a part of the Interest by reason of certain prohibitions contained in the Securities Act of 1933, as amended (the "Act") and/or the securities laws of various states (the "Blue Sky Laws"), but may be compelled to resort to one or more private sales to a restricted group of purchasers who will be obliged to agree, among other things, to acquire the Interest for their own account, for investment and without a view to the distribution, payment or resale thereof. Debtor understands that private sales so made may be at prices and on other terms less favorable than if the Interest were sold at public sales, and agrees that Secured Party has no obligation to delay the sale of the Interest for the period of time necessary to permit Debtor (even if Debtor agrees) to register such securities for sale under the Act or the Blue Sky Laws. Debtor agrees that private dispositions made under the foregoing circumstances will be deemed to have been made in commercially reasonable manner. Without prior notice to Debtor, upon any Event of Default Secured Party may exercise all voting rights in connection with any action to be taken by any of the Companies pursuant to or on account of the Interest, and exercise any and all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining to the Interest as if it were the absolute owner thereof, including, without limitation, the right to exchange, at its discretion, any and all of the Interest upon the merger, consolidation, reorganization, recapitalization or other similar transaction of Debtor.

As an additional and express remedy and right of Secured Party, upon any Event of Default, Secured Party may seek the appointment in any court of general jurisdiction of a receiver (pursuant to Rules 1 and 66 of the Arizona or federal Rules of Civil Procedure, and pursuant to A.R.S. § 12-1241, as an independent judicial remedy and proceeding) over and to the Interest and the Debtor's membership interest in the same. The appointment may be sought without notice to Debtor and without regard to the adequacy of the Collateral as security for the Obligations and without regard to the solvency of the Debtor. Such receiver shall have the power and authority to (i) manage and operate the Interest and exercise all of the rights of any member pursuant to the constituent documents, and (ii) cause to be conducted the business and affairs of the Interest including, without limitation, making expenditures, paying taxes, use of assets of the Interest, execution, negotiation and performance of such contracts, conveyances and other instruments as the receiver deems proper in its sole discretion, payment of expenses, maintenance of insurance, acquisition and disposition of assets, the commencement and prosecution of actions at law or in equity or otherwise engaging in the conduct of the affairs and business of the Interest, the receiver to have such powers, rights and duties as are set forth in the Secured Party's requested order of appointment of such receiver.

15. Nonexclusive Remedies. The remedies conferred by this Agreement are nonexclusive and cumulative of any other remedies now available or subsequently existing at law, in equity or by statute, regulation, rule or otherwise, all of which are reserved by and to Secured Party.

16. Reservation of Rights. No delay or forbearance by or on behalf of Secured Party in exercising any right, remedy, power or privilege under this Security Agreement ("Lender's Rights") will operate as a waiver of any such Lender's Rights, nor shall any exercise or non-exercise of any particular Lender's Right preclude any other or further exercise of

Lender's Rights pertaining to any current or subsequent default by Debtor. The taking of this Security Agreement will not waive or impair any other security that Secured Party may have or hereafter acquire for the payment of the Obligations nor will the taking of any such additional security waive or impair this Security Agreement. Secured Party may resort to any security it may have and apply proceeds of the Collateral in any order it may deem proper.

17. **Expenses, Fees and Costs.** If any Event of Default occurs, or Secured Party otherwise acts to protect its security interest in the Collateral, Debtor promises to pay all of the following costs and fees if incurred by or on behalf of Secured Party: (i) all expenses of recovering, holding, preparing for sale and selling of the Collateral, (ii) reasonable attorneys' fees, (iii) all costs and expenses of collection, enforcement, interpretation or any foreclosure, whether or not suit is filed, and (iv) all costs of suit, each of which are to be determined by a court and not by a jury. "Suit" includes proceedings in courts of original, appellate and bankruptcy jurisdiction.

18. **Waivers.** No waiver under this Agreement is valid unless it is in writing and signed by the Party giving the waiver. A waiver of a particular matter or remedy does not waive a subsequent or similar matter or remedy. No waiver will excuse a Party from payment or the performance of its other obligations under this Agreement.

19. **Choice of Law.** This Security Agreement is governed by the laws of the State. The parties consent and submit to the nonexclusive jurisdiction of the courts of the State and the United States District Court for the District of Arizona, sitting in Maricopa County, Arizona, concerning any action arising under this Security Agreement.

20. **Construction.** Captions and headings are for convenience and reference only and do not define, limit or affect the contents of this Security Agreement. References to "paragraphs" or "sections" refer to this Security Agreement unless stated otherwise. The terms "include" or "including" mean "without limitation by reason of enumeration." All grammatical usage will be deemed to refer to the masculine, feminine, neuter, singular or plural as the context and identity of any person(s) may require.

21. **Severability and Interpretation.** The invalidity or unenforceability of any provision of this Security Agreement does not affect the other remaining provisions. This Security Agreement will be construed as if it excluded any invalid or unenforceable provision, which will be severed from this Security Agreement. Whenever possible, this Security Agreement will be interpreted so as to be valid under applicable law, and will not be construed strictly in favor of or against any particular party, including any party who drafted or prepared this Security Agreement, but instead according to its plain meaning to give effect to its intended purposes.

22. **Notices.** Except as otherwise required by law, all notices under this Agreement will be in writing. Notices are deemed given and received (a) when personally delivered, (b) when received by facsimile or by overnight courier service, or (c) on the fifth Business Day after mailing by certified/registered U.S. Mail, return receipt requested. Notices will be addressed as follows:

To Debtor:

Holiday Partners LLC

11550343v1
Security Agreement
Holiday Partners LLC

1903333.2

7373 East Doubletree Ranch Road, Suite 200-17
Scottsdale, Arizona 85258
Attention: Ernest J. Babich, Manager

To Secured Party:

City of Scottsdale
Community Assistance Office
7515 East First Street
Scottsdale, Arizona 85251
Attention: Community Assistance Manager

(or at any other address designated in a notice given by a Party to change its address). Rejection or refusal to accept, or the inability to deliver because of change in address as to which no notification has been given, will be deemed to constitute receipt if given as provided above.

23. Waiver of Jury Trial. Any lawsuit concerning this Agreement will be tried by the court, AND THE PARTIES EACH IRREVOCABLY AND EXPRESSLY WAIVE ALL RIGHTS TO ANY TRIAL BY A JURY (ADVISORY OR OTHERWISE).

24. Modification. This Agreement may be amended only by a written document signed by all the Parties.

25. Time. TIME IS OF THE ESSENCE FOR THE PERFORMANCE OF EACH PROVISION OF THIS AGREEMENT. If this Agreement requires any action to be performed on a date which is not a "Business Day" (a Saturday, Sunday or a state or federal legal holiday), such action will be validly performed on the next succeeding Business Day.

26. Parties Bound. "Debtor" means the undersigned (individually or collectively) and all successors, assigns and personal or legal representatives, jointly and severally. "Secured Party" means such Party and its successors and assigns. Secured Party may freely assign this Security Agreement together with the Note, any Loan Agreement and any other Security Documents. "Depository" means such "Bank" and its successors and assigns.

27. No Third Party Beneficiary. This Agreement is solely for the benefit of the Parties (and any successors and permitted assigns) and does not confer any rights or remedies on any other persons.

28. Counterparts. This Agreement may be executed in identical counterparts, each of which upon execution shall be deemed an original, but all of which together will constitute one document. Partially executed signature or acknowledgment pages of any one counterpart may be combined with any other partially executed counterpart to constitute a fully executed original Agreement. Facsimiles of executed signature pages are effective as original signatures.

29. Incorporation of Recitals and Exhibits. The Recitals and all attached Schedules are incorporated as part of this Agreement.

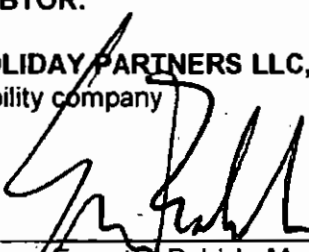
30. Effective Date. This Security Agreement is executed and effective as of January 8, 2013 ("Effective Date").

[SIGNATURES ON FOLLOWING PAGE]

DEBTOR:

HOLIDAY PARTNERS LLC, an Arizona limited liability company

By


Ernest J. Babich, Manager

SECURED PARTY:

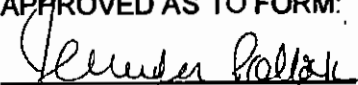
CITY OF SCOTTSDALE, an Arizona municipal corporation

ATTEST:

Carolyn Jagger, City Clerk

W.J. "Jim" Lane, Mayor

APPROVED AS TO FORM:


Bruce Washburn, City Attorney
By: Jennifer Pollock
Assistant City Attorney

Attachment 2

SCHEDULE 1 TO SECURITY AGREEMENT

One hundred percent of the Membership Interest in each of the following Arizona limited liability companies (collectively, the "Companies")

Villa Ventana Apts LLC
66th Place Apts LLC
Cheery I LLC
Cheery II LLC
Cheery III LLC
Casa Cibola Apts LLC
Royal Palms Apts LLC
Shalimar Apts LLC

SCHEDULE 2 TO SECURITY AGREEMENT

IRREVOCABLE PROXY AGREEMENT

This Irrevocable Proxy Agreement is made this 8th day of January 2013 by and among Holiday Partners LLC, an Arizona limited liability company ("Debtor"), Villa Ventana Apts LLC, an Arizona limited liability company ("Company") and the City of Scottsdale, an Arizona municipal corporation ("Secured Party"), with reference to that certain Security Agreement and Pledge of Membership Interest(s) in Company by Debtor to Secured Party, of even date herewith.

Pursuant to the promises and agreements of Debtor in such Security Agreement, Debtor hereby irrevocably grants and appoints Secured Party, from the date of this Irrevocable Proxy Agreement until the termination of the Security Agreement in accordance with its terms and provisions, as Debtor's true and lawful proxy, for and in Debtor's name, place and stead, to vote the Interest in the Company with respect to any change, modification or amendment to the Formation Documents (including without limitation the Operating Agreement of the Company) that pertains to or purports to effect in any way the Company's "opt-out" status under UCC Article/Chapter 8, including any attempt to "opt-in" to Article/Chapter 8 in any way.

This proxy to Secured Party includes the right to sign Debtor's name (as a member or manager or both of the Company) to any consent, certificate or other document relating to the Company that applicable law or the Company's Formation Documents may permit or require, to cause the Debtor's interest(s) in the Company (membership, management or both) to be voted in accordance with the direction and wishes of the Secured Party, so as to maintain and retain the Company's status as having remained unaffected by (opted out of) UCC Article/Chapter 8. Debtor hereby revokes all other voting or other proxies and powers of attorney with respect to the Debtor's interest(s) in the Company, or if there are no such outstanding proxies and powers of attorney, Debtor hereby represents and warrants to Secured Party and the Company that there are no outstanding proxies or powers of attorney except for this Irrevocable Proxy Agreement to Secured Party. Further, Debtor will give no subsequent proxy or power of attorney to any other person without the prior knowledge of and consent thereto from Secured Party. Any action by Debtor inconsistent with or in violation of any term or condition of this Irrevocable Proxy Agreement is null, void and without any force or effect.

THE PROXIES AND POWERS GRANTED BY DEBTOR TO SECURED PARTY PURSUANT TO THE FOREGOING ARE POWERS COUPLED WITH AN INTEREST AND ARE GIVEN IN CONSIDERATION OF THE SECURITY AGREEMENT AND THE OBLIGATIONS SECURED THEREBY.

DATED January 8, 2013.

DEBTOR:

HOLIDAY PARTNERS LLC, an Arizona limited liability company

By


Ernest V. Babich, Manager

IRREVOCABLE PROXY AGREEMENT

This Irrevocable Proxy Agreement is made this 8th day of January 2013 by and among Holiday Partners LLC, an Arizona limited liability company ("Debtor"), 66th Place Apts LLC, an Arizona limited liability company ("Company") and the City of Scottsdale, an Arizona municipal corporation ("Secured Party"), with reference to that certain Security Agreement and Pledge of Membership Interest(s) in Company by Debtor to Secured Party, of even date herewith.

Pursuant to the promises and agreements of Debtor in such Security Agreement, Debtor hereby irrevocably grants and appoints Secured Party, from the date of this Irrevocable Proxy Agreement until the termination of the Security Agreement in accordance with its terms and provisions, as Debtor's true and lawful proxy, for and in Debtor's name, place and stead, to vote the Interest in the Company with respect to any change, modification or amendment to the Formation Documents (including without limitation the Operating Agreement of the Company) that pertains to or purports to effect in any way the Company's "opt-out" status under UCC Article/Chapter 8, including any attempt to "opt-in" to Article/Chapter 8 in any way.

This proxy to Secured Party includes the right to sign Debtor's name (as a member or manager or both of the Company) to any consent, certificate or other document relating to the Company that applicable law or the Company's Formation Documents may permit or require, to cause the Debtor's interest(s) in the Company (membership, management or both) to be voted in accordance with the direction and wishes of the Secured Party, so as to maintain and retain the Company's status as having remained unaffected by (opted out of) UCC Article/Chapter 8. Debtor hereby revokes all other voting or other proxies and powers of attorney with respect to the Debtor's interest(s) in the Company, or if there are no such outstanding proxies and powers of attorney, Debtor hereby represents and warrants to Secured Party and the Company that there are no outstanding proxies or powers of attorney except for this Irrevocable Proxy Agreement to Secured Party. Further, Debtor will give no subsequent proxy or power of attorney to any other person without the prior knowledge of and consent thereto from Secured Party. Any action by Debtor inconsistent with or in violation of any term or condition of this Irrevocable Proxy Agreement is null, void and without any force or effect.

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DATED January 8, 2013.

DEBTOR:

HOLIDAY PARTNERS LLC, an Arizona limited liability company

By


Ernest J. Babich, Manager

IRREVOCABLE PROXY AGREEMENT

This Irrevocable Proxy Agreement is made this 8th day of January 2013 by and among Holiday Partners LLC, an Arizona limited liability company ("Debtor"), Cheery I LLC, an Arizona limited liability company ("Company") and the City of Scottsdale, an Arizona municipal corporation ("Secured Party"), with reference to that certain Security Agreement and Pledge of Membership Interest(s) in Company by Debtor to Secured Party, of even date herewith.

Pursuant to the promises and agreements of Debtor in such Security Agreement, Debtor hereby irrevocably grants and appoints Secured Party, from the date of this Irrevocable Proxy Agreement until the termination of the Security Agreement in accordance with its terms and provisions, as Debtor's true and lawful proxy, for and in Debtor's name, place and stead, to vote the Interest in the Company with respect to any change, modification or amendment to the Formation Documents (including without limitation the Operating Agreement of the Company) that pertains to or purports to effect in any way the Company's "opt-out" status under UCC Article/Chapter 8, including any attempt to "opt-in" to Article/Chapter 8 in any way.

This proxy to Secured Party includes the right to sign Debtor's name (as a member or manager or both of the Company) to any consent, certificate or other document relating to the Company that applicable law or the Company's Formation Documents may permit or require, to cause the Debtor's interest(s) in the Company (membership, management or both) to be voted in accordance with the direction and wishes of the Secured Party, so as to maintain and retain the Company's status as having remained unaffected by (opted out of) UCC Article/Chapter 8. Debtor hereby revokes all other voting or other proxies and powers of attorney with respect to the Debtor's interest(s) in the Company, or if there are no such outstanding proxies and powers of attorney, Debtor hereby represents and warrants to Secured Party and the Company that there are no outstanding proxies or powers of attorney except for this Irrevocable Proxy Agreement to Secured Party. Further, Debtor will give no subsequent proxy or power of attorney to any other person without the prior knowledge of and consent thereto from Secured Party. Any action by Debtor inconsistent with or in violation of any term or condition of this Irrevocable Proxy Agreement is null, void and without any force or effect.

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DATED January 8, 2013.

DEBTOR:

HOLIDAY PARTNERS LLC, an Arizona limited liability company

By


Ernest J. Babich, Manager

IRREVOCABLE PROXY AGREEMENT

This Irrevocable Proxy Agreement is made this 8th day of January 2013 by and among Holiday Partners LLC, an Arizona limited liability company ("Debtor"), Cheery II LLC, an Arizona limited liability company ("Company") and the City of Scottsdale, an Arizona municipal corporation ("Secured Party"), with reference to that certain Security Agreement and Pledge of Membership Interest(s) in Company by Debtor to Secured Party, of even date herewith.

Pursuant to the promises and agreements of Debtor in such Security Agreement, Debtor hereby irrevocably grants and appoints Secured Party, from the date of this Irrevocable Proxy Agreement until the termination of the Security Agreement in accordance with its terms and provisions, as Debtor's true and lawful proxy, for and in Debtor's name, place and stead, to vote the Interest in the Company with respect to any change, modification or amendment to the Formation Documents (including without limitation the Operating Agreement of the Company) that pertains to or purports to effect in any way the Company's "opt-out" status under UCC Article/Chapter 8, including any attempt to "opt-in" to Article/Chapter 8 in any way.

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DATED January 8, 2013.

DEBTOR:

HOLIDAY PARTNERS LLC, an Arizona limited liability company

By


Ernest J. Babich, Manager

IRREVOCABLE PROXY AGREEMENT

This Irrevocable Proxy Agreement is made this 8th day of January 2013 by and among Holiday Partners LLC, an Arizona limited liability company ("Debtor"), Cheery III LLC, an Arizona limited liability company ("Company") and the City of Scottsdale, an Arizona municipal corporation ("Secured Party"), with reference to that certain Security Agreement and Pledge of Membership Interest(s) in Company by Debtor to Secured Party, of even date herewith.

Pursuant to the promises and agreements of Debtor in such Security Agreement, Debtor hereby irrevocably grants and appoints Secured Party, from the date of this Irrevocable Proxy Agreement until the termination of the Security Agreement in accordance with its terms and provisions, as Debtor's true and lawful proxy, for and in Debtor's name, place and stead, to vote the Interest in the Company with respect to any change, modification or amendment to the Formation Documents (including without limitation the Operating Agreement of the Company) that pertains to or purports to effect in any way the Company's "opt-out" status under UCC Article/Chapter 8, including any attempt to "opt-in" to Article/Chapter 8 in any way.

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DATED January 8, 2013.

DEBTOR:

HOLIDAY PARTNERS LLC, an Arizona limited liability company

By


Ernest J. Babich, Manager

IRREVOCABLE PROXY AGREEMENT

This Irrevocable Proxy Agreement is made this 8th day of January 2013 by and among Holiday Partners LLC, an Arizona limited liability company ("Debtor"), Casa Cibola Apts LLC, an Arizona limited liability company ("Company") and the City of Scottsdale, an Arizona municipal corporation ("Secured Party"), with reference to that certain Security Agreement and Pledge of Membership Interest(s) in Company by Debtor to Secured Party, of even date herewith.

Pursuant to the promises and agreements of Debtor in such Security Agreement, Debtor hereby irrevocably grants and appoints Secured Party, from the date of this Irrevocable Proxy Agreement until the termination of the Security Agreement in accordance with its terms and provisions, as Debtor's true and lawful proxy, for and in Debtor's name, place and stead, to vote the Interest in the Company with respect to any change, modification or amendment to the Formation Documents (including without limitation the Operating Agreement of the Company) that pertains to or purports to effect in any way the Company's "opt-out" status under UCC Article/Chapter 8, including any attempt to "opt-in" to Article/Chapter 8 in any way.

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DATED January 8, 2013.

DEBTOR:

HOLIDAY PARTNERS LLC, an Arizona limited liability company

By


Ernest J. Babich, Manager

IRREVOCABLE PROXY AGREEMENT

This Irrevocable Proxy Agreement is made this 8th day of January 2013 by and among Holiday Partners LLC, an Arizona limited liability company ("Debtor"), Royal Palms Apts LLC, an Arizona limited liability company ("Company") and the City of Scottsdale, an Arizona municipal corporation ("Secured Party"), with reference to that certain Security Agreement and Pledge of Membership Interest(s) in Company by Debtor to Secured Party, of even date herewith.

Pursuant to the promises and agreements of Debtor in such Security Agreement, Debtor hereby irrevocably grants and appoints Secured Party, from the date of this Irrevocable Proxy Agreement until the termination of the Security Agreement in accordance with its terms and provisions, as Debtor's true and lawful proxy, for and in Debtor's name, place and stead, to vote the Interest in the Company with respect to any change, modification or amendment to the Formation Documents (including without limitation the Operating Agreement of the Company) that pertains to or purports to effect in any way the Company's "opt-out" status under UCC Article/Chapter 8, including any attempt to "opt-in" to Article/Chapter 8 in any way.

This proxy to Secured Party includes the right to sign Debtor's name (as a member or manager or both of the Company) to any consent, certificate or other document relating to the Company that applicable law or the Company's Formation Documents may permit or require, to cause the Debtor's interest(s) in the Company (membership, management or both) to be voted in accordance with the direction and wishes of the Secured Party, so as to maintain and retain the Company's status as having remained unaffected by (opted out of) UCC Article/Chapter 8. Debtor hereby revokes all other voting or other proxies and powers of attorney with respect to the Debtor's interest(s) in the Company, or if there are no such outstanding proxies and powers of attorney, Debtor hereby represents and warrants to Secured Party and the Company that there are no outstanding proxies or powers of attorney except for this Irrevocable Proxy Agreement to Secured Party. Further, Debtor will give no subsequent proxy or power of attorney to any other person without the prior knowledge of and consent thereto from Secured Party. Any action by Debtor inconsistent with or in violation of any term or condition of this Irrevocable Proxy Agreement is null, void and without any force or effect.

THE PROXIES AND POWERS GRANTED BY DEBTOR TO SECURED PARTY PURSUANT TO THE FOREGOING ARE POWERS COUPLED WITH AN INTEREST AND ARE GIVEN IN CONSIDERATION OF THE SECURITY AGREEMENT AND THE OBLIGATIONS SECURED THEREBY.

DATED January 8, 2013.

DEBTOR:

HOLIDAY PARTNERS LLC, an Arizona limited liability company

By 
Ernest J. Babich, Manager

IRREVOCABLE PROXY AGREEMENT

This Irrevocable Proxy Agreement is made this 8th day of January 2013 by and among Holiday Partners LLC, an Arizona limited liability company ("Debtor"), Shalimar Apts LLC, an Arizona limited liability company ("Company") and the City of Scottsdale, an Arizona municipal corporation ("Secured Party"), with reference to that certain Security Agreement and Pledge of Membership Interest(s) in Company by Debtor to Secured Party, of even date herewith.

Pursuant to the promises and agreements of Debtor in such Security Agreement, Debtor hereby irrevocably grants and appoints Secured Party, from the date of this Irrevocable Proxy Agreement until the termination of the Security Agreement in accordance with its terms and provisions, as Debtor's true and lawful proxy, for and in Debtor's name, place and stead, to vote the Interest in the Company with respect to any change, modification or amendment to the Formation Documents (including without limitation the Operating Agreement of the Company) that pertains to or purports to effect in any way the Company's "opt-out" status under UCC Article/Chapter 8, including any attempt to "opt-in" to Article/Chapter 8 in any way.

This proxy to Secured Party includes the right to sign Debtor's name (as a member or manager or both of the Company) to any consent, certificate or other document relating to the Company that applicable law or the Company's Formation Documents may permit or require, to cause the Debtor's interest(s) in the Company (membership, management or both) to be voted in accordance with the direction and wishes of the Secured Party, so as to maintain and retain the Company's status as having remained unaffected by (opted out of) UCC Article/Chapter 8. Debtor hereby revokes all other voting or other proxies and powers of attorney with respect to the Debtor's interest(s) in the Company, or if there are no such outstanding proxies and powers of attorney, Debtor hereby represents and warrants to Secured Party and the Company that there are no outstanding proxies or powers of attorney except for this Irrevocable Proxy Agreement to Secured Party. Further, Debtor will give no subsequent proxy or power of attorney to any other person without the prior knowledge of and consent thereto from Secured Party. Any action by Debtor inconsistent with or in violation of any term or condition of this Irrevocable Proxy Agreement is null, void and without any force or effect.

THE PROXIES AND POWERS GRANTED BY DEBTOR TO SECURED PARTY PURSUANT TO THE FOREGOING ARE POWERS COUPLED WITH AN INTEREST AND ARE GIVEN IN CONSIDERATION OF THE SECURITY AGREEMENT AND THE OBLIGATIONS SECURED THEREBY.

DATED January 8, 2013.

DEBTOR:

HOLIDAY PARTNERS LLC, an Arizona limited liability company

By


Ernest J. Babich, Manager

SCHEDULE 3 TO SECURITY AGREEMENT

**ACKNOWLEDGMENT AND CONSENT REGARDING
SECURITY AGREEMENT**

TO: City of Scottsdale
Community Assistance Office
7515 East First Street
Scottsdale, Arizona 85251

The undersigned limited liability company (the "Company") and the undersigned members and manager thereof (the "Members") hereby acknowledge receipt of a copy of the Security Agreement (the "Security Agreement"), dated January 8, 2013, between Holiday Partners LLC, an Arizona limited liability company ("Debtor") in favor of the City of Scottsdale, an Arizona municipal corporation ("Secured Party"). The undersigned further acknowledge that Secured Party is proposing to extend certain credit on behalf of the Debtor, or in reliance upon the Security Agreement and related instruments being entered into has extended said credit, any distinction as to which the Company and Debtor/member hereby irrevocably waive, and that Secured Party would not extend such credit but for the agreements and representations of the undersigned contained herein. Capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed to them in the Security Agreement.

NOW, THEREFORE, intending that Secured Party may rely hereon, and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned hereby represent, warrant and covenant to Secured Party as follows:

1. (a) Exhibit "A" hereto consists of a true and complete copy of the Articles of Organization (attached hereto) and the Operating Agreement (which is on file with the City but not attached hereto) of the Company as currently in effect, including any and all amendments thereto (the "Company Agreement"); (b) Debtor is currently the owner of a one hundred percent Membership Interest in the Company; (c) Debtor is not in default under the Company Agreement in any respect; and no event has occurred which, with notice or lapse of time or both, would constitute an event of default by Debtor under the Company Agreement; (d) no Distributions have been prepaid by the Company to Debtor; (e) the Company is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Arizona; and (f) neither the execution, delivery nor performance by the Company of this Acknowledgment and Consent violates either: (i) the Company Agreement; (ii) any contract, commitment or other agreement to which the Company is a party or by which the Company or any of its properties is bound (collectively, the "Company Contractual Obligations"); or (iii) any law, order, decree or writ to which the Company or any of its properties is subject (collectively the "Applicable Laws").

2. (a) Debtor's grant to Secured Party of a security interest in the Collateral does not violate the Company Agreement, any Company Contractual Obligation, or any Applicable Law; and (b) no consent of any governmental authority, regulatory body or other person is required, under the Company Agreement, any Company Contractual Obligation, any Applicable Law or otherwise, with respect to Debtor's grant to Secured Party of a security interest in and to the Collateral or with respect to the succession of Secured Party or any

purchaser at any foreclosure sale to all of the rights of Debtor to receive the Distributions.

3. Each of the undersigned Members hereby irrevocably and unconditionally consent to Debtor's grant to Secured Party of a security interest in all of Debtor's rights in the Collateral and to the succession (pursuant to the rights or remedies afforded to Secured Party in the Security Agreement) of Secured Party or any purchaser at a foreclosure sale to all of the rights of Debtor in the Collateral. The undersigned further agrees that following completion of the foreclosure and sale and disposition of the Collateral, upon presentation of a fully executed original of the Assignment of Company Interest, attached as Schedule 4 to the Security Agreement, the undersigned shall join with the Assignee named therein and execute any required amendment to the Company Agreement stating that Debtor no longer owns or claims an interest with respect to the Collateral, or portion thereof, assigned therein to the Assignee, and acknowledging that the Company has not dissolved on account of such sale, disposition or assignment of such Collateral, and that the Assignee is admitted as a new member of the Company in place of Debtor as to such Collateral so assigned to Assignee. If Secured Party becomes substituted as a member of the Company in place of Debtor, each of the undersigned agrees to indemnify and hold harmless Secured Party and each of them from and against all liability for the obligations of the Company arising before Secured Party's admission to the Company. Each of the undersigned Members hereby appoints Secured Party as his, her or its attorney-in-fact, with full power of substitution, to execute on behalf of such Member any and all documents, instruments and agreements which may be necessary or advisable, in the opinion of Secured Party, to give effect to any of the foregoing.

4. Each of the undersigned irrevocably and unconditionally waives all rights, if any, which may be applicable to allow the undersigned to purchase any of the Collateral (such as any option or first right of refusal) with respect to Debtor's grant to Secured Party of a security interest therein, or that may exist at the time of and with respect to Secured Party's acquisition or disposition of the Collateral pursuant to the rights and remedies afforded to Secured Party in the Security Agreement.

5. Each of the undersigned agrees that Secured Party and their representatives may at any time upon reasonable advance notice inspect the books, records and properties of the Company.

6. After the occurrence of a default of the Debtor under the Security Agreement, and provided Debtor has failed to timely cure such default under any applicable notice and cure period, until such time as it receives written instructions to do otherwise from Secured Party, the Company shall promptly and completely comply with the provisions of Section 6 of the Security Agreement. After the occurrence of a default of the Debtor under the Security Agreement, and provided Debtor has failed to timely cure such default under any applicable notice and cure period, the Company shall promptly and completely comply with any written instructions received from Secured Party from time to time as to the disposition of Distributions, regardless of the terms of such instructions. Such further instructions need be signed only by Secured Party, and the Company shall comply with them regardless of whether it receives at any time any contrary instructions or demands from Debtor or any other person; provided, only, that the Company may comply with any conflicting court order received from a court of competent jurisdiction.

7. Until such time as they are notified in writing by Secured Party that this Acknowledgment and Consent has been terminated, the undersigned Members shall not, without obtaining the prior written consent of Secured Party, which consent shall not be unreasonably withheld or delayed, cause, suffer or permit the Company Agreement to be amended or modified in any manner which changes Debtor's rights or powers thereunder, nor cause, suffer or permit the termination or dissolution of the Company. No such purported amendment of the Company Agreement or termination or dissolution of the Company without Secured Party's written consent shall be of any force or effect.

8. After any foreclosure upon Debtor's rights to receive Distributions, the undersigned shall promptly and completely comply with the terms of the Security Agreement, regarding the rights of any successor to Debtor's rights to receive Distributions. The undersigned members hereby consent to the admission as a Substitute Member of Secured Party or his assignee upon foreclosure and sale of Debtor's rights in the Collateral pursuant to the Security Agreement.

9. Until such time as they are notified in writing by Secured Party that this Acknowledgment and Consent has been terminated, the undersigned Members shall give Secured Party written notice, at the address set forth above, of any actual or alleged default by Debtor under the Company Agreement and shall afford Secured Party a period of thirty days, or such longer time as may be reasonable under the circumstances, to cure the same prior to taking any action against Debtor in respect thereof; provided, however, that Secured Party shall have no obligation whatsoever to cure or to attempt to cure any such default.

10. Notwithstanding the security interest of Secured Party in the Collateral, Secured Party shall have no obligation or liability whatsoever to the Company, any member thereof, or any creditor or other person having any relationship with the Company, nor shall Secured Party be obligated to perform any of the obligations or duties of Debtor under the Company Agreement or to take any action to collect or enforce any claim for payment of Debtor arising under the Company Agreement.

11. The undersigned acknowledge that the security interest of Secured Party in the Collateral and all of Secured Party's rights and remedies under the Security Agreement may be freely transferred or assigned by Secured Party. In the event of any such transfer or assignment, all of the provisions of this Acknowledgment and Consent shall inure to the benefit of the transferees, successors and assigns of Secured Party. The provisions of this Acknowledgment and Consent shall likewise be binding upon the heirs, successors and assigns of the undersigned.

12. The undersigned shall, from time to time, promptly execute and deliver such further instruments, documents and papers and perform such further acts as may be necessary or proper to carry out and effect the terms of this Acknowledgment and Consent.

13. When necessary herein, all terms used in the singular shall apply to the plural, and vice versa, and all terms used in the masculine shall apply to the neuter and feminine genders, and vice versa.

14. This Acknowledgment and Consent may be executed in two or more counterparts, all of which shall constitute one and the same instrument.

Agreed to and executed as of this 8th day of January, 2013.

VILLA VENTANA APTS LLC, an Arizona
limited liability company

By


Ernest J. Babich, Manager

[Company]

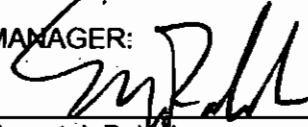
MEMBERS:

HOLIDAY PARTNERS LLC, an Arizona limited
liability company

By


Ernest J. Babich, Manager

MANAGER:


Ernest J. Babich

**ARTICLES OF ORGANIZATION
OF
VILLA VENTANA APTS LLC**

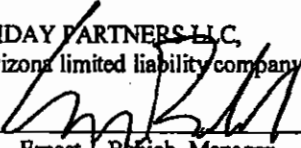
Pursuant to A.R.S. § 29-632, the undersigned states as follows:

1. Name. The name of the limited liability company is: VILLA VENTANA APTS LLC.
2. Known Place of Business. The address of the Company's known place of business in Arizona is: 7373 East Doubletree Ranch Road, Suite 200-17, Scottsdale, Arizona 85258, located in Maricopa County, Arizona.
3. Statutory Agent. The statutory agent's name and address are: Holiday Partners LLC, 7373 East Doubletree Ranch Road, Suite 200-17, Scottsdale, Arizona 85258.
4. Management. Management of the limited liability company is reserved to its Members.
5. Members. The name and address of the sole Member at the time of formation of the limited liability company are:

Holiday Partners LLC
7373 East Doubletree Ranch Road, Suite 200-17, Scottsdale, Arizona 85258

DATED: January 3, 2013

HOLIDAY PARTNERS LLC,
an Arizona limited liability company

By: 
Ernest J. Babich, Manager

ACCEPTANCE OF APPOINTMENT OF STATUTORY AGENT

The undersigned, having been designated to act as Statutory Agent of VILLA VENTANA APTS LLC, hereby consents to act in that capacity until removed or resignation is submitted in accordance with the Arizona Revised Statutes.

Dated: January __, 2013

HOLIDAY PARTNERS LLC,
an Arizona limited liability company


By: 
Ernest J. Babich, Manager

Exhibit A

**ACKNOWLEDGMENT AND CONSENT REGARDING
SECURITY AGREEMENT**

TO: City of Scottsdale
Community Assistance Office
7515 East First Street
Scottsdale, Arizona 85251

The undersigned limited liability company (the "Company") and the undersigned members and manager thereof (the "Members") hereby acknowledge receipt of a copy of the Security Agreement (the "Security Agreement"), dated January 8, 2013, between Holiday Partners LLC, an Arizona limited liability company ("Debtor") in favor of the City of Scottsdale, an Arizona municipal corporation ("Secured Party"). The undersigned further acknowledge that Secured Party is proposing to extend certain credit on behalf of the Debtor, or in reliance upon the Security Agreement and related instruments being entered into has extended said credit, any distinction as to which the Company and Debtor/member hereby irrevocably waive, and that Secured Party would not extend such credit but for the agreements and representations of the undersigned contained herein. Capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed to them in the Security Agreement.

NOW, THEREFORE, intending that Secured Party may rely hereon, and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned hereby represent, warrant and covenant to Secured Party as follows:

1. (a) Exhibit "A" hereto consists of a true and complete copy of the Articles of Organization (attached hereto) and the Operating Agreement (which is on file with the City but not attached hereto) of the Company as currently in effect, including any and all amendments thereto (the "Company Agreement"); (b) Debtor is currently the owner of a one hundred percent Membership Interest in the Company; (c) Debtor is not in default under the Company Agreement in any respect; and no event has occurred which, with notice or lapse of time or both, would constitute an event of default by Debtor under the Company Agreement; (d) no Distributions have been prepaid by the Company to Debtor; (e) the Company is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Arizona; and (f) neither the execution, delivery nor performance by the Company of this Acknowledgment and Consent violates either: (i) the Company Agreement; (ii) any contract, commitment or other agreement to which the Company is a party or by which the Company or any of its properties is bound (collectively, the "Company Contractual Obligations"); or (iii) any law, order, decree or writ to which the Company or any of its properties is subject (collectively the "Applicable Laws").

2. (a) Debtor's grant to Secured Party of a security interest in the Collateral does not violate the Company Agreement, any Company Contractual Obligation, or any Applicable Law; and (b) no consent of any governmental authority, regulatory body or other person is required, under the Company Agreement, any Company Contractual Obligation, any Applicable Law or otherwise, with respect to Debtor's grant to Secured Party of a security interest in and to the Collateral or with respect to the succession of Secured Party or any purchaser at any foreclosure sale to all of the rights of Debtor to receive the Distributions.

3. Each of the undersigned Members hereby irrevocably and unconditionally consent to Debtor's grant to Secured Party of a security interest in all of Debtor's rights in the Collateral and to the succession (pursuant to the rights or remedies afforded to Secured Party in the Security Agreement) of Secured Party or any purchaser at a foreclosure sale to all of the rights of Debtor in the Collateral. The undersigned further agrees that following completion of the foreclosure and sale and disposition of the Collateral, upon presentation of a fully executed original of the Assignment of Company Interest, attached as Schedule 4 to the Security Agreement, the undersigned shall join with the Assignee named therein and execute any required amendment to the Company Agreement stating that Debtor no longer owns or claims an interest with respect to the Collateral, or portion thereof, assigned therein to the Assignee, and acknowledging that the Company has not dissolved on account of such sale, disposition or assignment of such Collateral, and that the Assignee is admitted as a new member of the Company in place of Debtor as to such Collateral so assigned to Assignee. If Secured Party becomes substituted as a member of the Company in place of Debtor, each of the undersigned agrees to indemnify and hold harmless Secured Party and each of them from and against all liability for the obligations of the Company arising before Secured Party's admission to the Company. Each of the undersigned Members hereby appoints Secured Party as his, her or its attorney-in-fact, with full power of substitution, to execute on behalf of such Member any and all documents, instruments and agreements which may be necessary or advisable, in the opinion of Secured Party, to give effect to any of the foregoing.

4. Each of the undersigned irrevocably and unconditionally waives all rights, if any, which may be applicable to allow the undersigned to purchase any of the Collateral (such as any option or first right of refusal) with respect to Debtor's grant to Secured Party of a security interest therein, or that may exist at the time of and with respect to Secured Party's acquisition or disposition of the Collateral pursuant to the rights and remedies afforded to Secured Party in the Security Agreement.

5. Each of the undersigned agrees that Secured Party and their representatives may at any time upon reasonable advance notice inspect the books, records and properties of the Company.

6. After the occurrence of a default of the Debtor under the Security Agreement, and provided Debtor has failed to timely cure such default under any applicable notice and cure period, until such time as it receives written instructions to do otherwise from Secured Party, the Company shall promptly and completely comply with the provisions of Section 6 of the Security Agreement. After the occurrence of a default of the Debtor under the Security Agreement, and provided Debtor has failed to timely cure such default under any applicable notice and cure period, the Company shall promptly and completely comply with any written instructions received from Secured Party from time to time as to the disposition of Distributions, regardless of the terms of such instructions. Such further instructions need be signed only by Secured Party, and the Company shall comply with them regardless of whether it receives at any time any contrary instructions or demands from Debtor or any other person; provided, only, that the Company may comply with any conflicting court order received from a court of competent jurisdiction.

7. Until such time as they are notified in writing by Secured Party that this Acknowledgment and Consent has been terminated, the undersigned Members shall not, without obtaining the prior written consent of Secured Party, which consent shall not be unreasonably withheld or delayed, cause, suffer or permit the Company Agreement to be amended or modified in any manner which changes Debtor's rights or powers thereunder, nor cause, suffer or permit the termination or dissolution of the Company. No such purported amendment of the Company Agreement or termination or dissolution of the Company without Secured Party's written consent shall be of any force or effect.

8. After any foreclosure upon Debtor's rights to receive Distributions, the undersigned shall promptly and completely comply with the terms of the Security Agreement, regarding the rights of any successor to Debtor's rights to receive Distributions. The undersigned members hereby consent to the admission as a Substitute Member of Secured Party or his assignee upon foreclosure and sale of Debtor's rights in the Collateral pursuant to the Security Agreement.

9. Until such time as they are notified in writing by Secured Party that this Acknowledgment and Consent has been terminated, the undersigned Members shall give Secured Party written notice, at the address set forth above, of any actual or alleged default by Debtor under the Company Agreement and shall afford Secured Party a period of thirty days, or such longer time as may be reasonable under the circumstances, to cure the same prior to taking any action against Debtor in respect thereof; provided, however, that Secured Party shall have no obligation whatsoever to cure or to attempt to cure any such default.

10. Notwithstanding the security interest of Secured Party in the Collateral, Secured Party shall have no obligation or liability whatsoever to the Company, any member thereof, or any creditor or other person having any relationship with the Company, nor shall Secured Party be obligated to perform any of the obligations or duties of Debtor under the Company Agreement or to take any action to collect or enforce any claim for payment of Debtor arising under the Company Agreement.

11. The undersigned acknowledge that the security interest of Secured Party in the Collateral and all of Secured Party's rights and remedies under the Security Agreement may be freely transferred or assigned by Secured Party. In the event of any such transfer or assignment, all of the provisions of this Acknowledgment and Consent shall inure to the benefit of the transferees, successors and assigns of Secured Party. The provisions of this Acknowledgment and Consent shall likewise be binding upon the heirs, successors and assigns of the undersigned.

12. The undersigned shall, from time to time, promptly execute and deliver such further instruments, documents and papers and perform such further acts as may be necessary or proper to carry out and effect the terms of this Acknowledgment and Consent.

13. When necessary herein, all terms used in the singular shall apply to the plural, and vice versa, and all terms used in the masculine shall apply to the neuter and feminine genders, and vice versa.

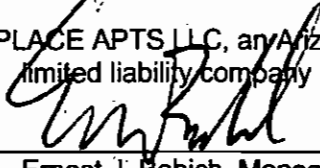
Attachment 2

14. This Acknowledgment and Consent may be executed in two or more counterparts, all of which shall constitute one and the same instrument.

Agreed to and executed as of this 8th day of January, 2013.

66TH PLACE APTS LLC, an Arizona
limited liability company

By

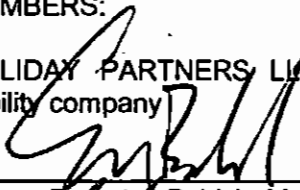

Ernest J. Babich, Manager

[Company]

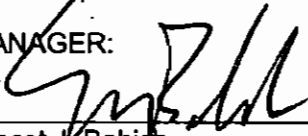
MEMBERS:

HOLIDAY PARTNERS LLC, an Arizona limited
liability company

By


Ernest J. Babich, Manager

MANAGER:


Ernest J. Babich

Attachment 2

**ARTICLES OF ORGANIZATION
OF
66TH PLACE APTS LLC**

Pursuant to A.R.S. § 29-632, the undersigned states as follows:

1. Name. The name of the limited liability company is: 66TH PLACE APTS LLC.
2. Known Place of Business: The address of the Company's known place of business in Arizona is: 7373 East Doubletree Ranch Road, Suite 200-17, Scottsdale, Arizona 85258, located in Maricopa County, Arizona.
3. Statutory Agent. The statutory agent's name and address are: Holiday Partners LLC, 7373 East Doubletree Ranch Road, Suite 200-17, Scottsdale, Arizona 85258.
4. Management. Management of the limited liability company is reserved to its Members.
5. Members. The name and address of the sole Member at the time of formation of the limited liability company are:

Holiday Partners LLC
7373 East Doubletree Ranch Road, Suite 200-17, Scottsdale, Arizona 85258

DATED: January 3, 2013

HOLIDAY PARTNERS LLC,
an Arizona limited liability company

By: _____

Ernest J. Babich, Manager

ACCEPTANCE OF APPOINTMENT OF STATUTORY AGENT

The undersigned, having been designated to act as Statutory Agent of 66TH PLACE APTS LLC, hereby consents to act in that capacity until removed or resignation is submitted in accordance with the Arizona Revised Statutes.

Dated: January __, 2013

HOLIDAY PARTNERS LLC,
an Arizona limited liability company

By: _____

Ernest J. Babich, Manager

Exhibit A

**ACKNOWLEDGMENT AND CONSENT REGARDING
SECURITY AGREEMENT**

TO: City of Scottsdale
Community Assistance Office
7515 East First Street
Scottsdale, Arizona 85251

The undersigned limited liability company (the "Company") and the undersigned members and manager thereof (the "Members") hereby acknowledge receipt of a copy of the Security Agreement (the "Security Agreement"), dated January 8, 2013, between Holiday Partners LLC, an Arizona limited liability company ("Debtor") in favor of the City of Scottsdale, an Arizona municipal corporation ("Secured Party"). The undersigned further acknowledge that Secured Party is proposing to extend certain credit on behalf of the Debtor, or in reliance upon the Security Agreement and related instruments being entered into has extended said credit, any distinction as to which the Company and Debtor/member hereby irrevocably waive, and that Secured Party would not extend such credit but for the agreements and representations of the undersigned contained herein. Capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed to them in the Security Agreement.

NOW, THEREFORE, intending that Secured Party may rely hereon, and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned hereby represent, warrant and covenant to Secured Party as follows:

1. (a) Exhibit "A" hereto consists of a true and complete copy of the Articles of Organization (attached hereto) and the Operating Agreement (which is on file with the City but not attached hereto) of the Company as currently in effect, including any and all amendments thereto (the "Company Agreement"); (b) Debtor is currently the owner of a one hundred percent Membership Interest in the Company; (c) Debtor is not in default under the Company Agreement in any respect; and no event has occurred which, with notice or lapse of time or both, would constitute an event of default by Debtor under the Company Agreement; (d) no Distributions have been prepaid by the Company to Debtor; (e) the Company is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Arizona; and (f) neither the execution, delivery nor performance by the Company of this Acknowledgment and Consent violates either: (i) the Company Agreement; (ii) any contract, commitment or other agreement to which the Company is a party or by which the Company or any of its properties is bound (collectively, the "Company Contractual Obligations"); or (iii) any law, order, decree or writ to which the Company or any of its properties is subject (collectively the "Applicable Laws").

2. (a) Debtor's grant to Secured Party of a security interest in the Collateral does not violate the Company Agreement, any Company Contractual Obligation, or any Applicable Law; and (b) no consent of any governmental authority, regulatory body or other person is required, under the Company Agreement, any Company Contractual Obligation, any Applicable Law or otherwise, with respect to Debtor's grant to Secured Party of a security interest in and to the Collateral or with respect to the succession of Secured Party or any purchaser at any foreclosure sale to all of the rights of Debtor to receive the Distributions.

3. Each of the undersigned Members hereby irrevocably and unconditionally consent to Debtor's grant to Secured Party of a security interest in all of Debtor's rights in the Collateral and to the succession (pursuant to the rights or remedies afforded to Secured Party in the Security Agreement) of Secured Party or any purchaser at a foreclosure sale to all of the rights of Debtor in the Collateral. The undersigned further agrees that following completion of the foreclosure and sale and disposition of the Collateral, upon presentation of a fully executed original of the Assignment of Company Interest, attached as Schedule 4 to the Security Agreement, the undersigned shall join with the Assignee named therein and execute any required amendment to the Company Agreement stating that Debtor no longer owns or claims an interest with respect to the Collateral, or portion thereof, assigned therein to the Assignee, and acknowledging that the Company has not dissolved on account of such sale, disposition or assignment of such Collateral, and that the Assignee is admitted as a new member of the Company in place of Debtor as to such Collateral so assigned to Assignee. If Secured Party becomes substituted as a member of the Company in place of Debtor, each of the undersigned agrees to indemnify and hold harmless Secured Party and each of them from and against all liability for the obligations of the Company arising before Secured Party's admission to the Company. Each of the undersigned Members hereby appoints Secured Party as his, her or its attorney-in-fact, with full power of substitution, to execute on behalf of such Member any and all documents, instruments and agreements which may be necessary or advisable, in the opinion of Secured Party, to give effect to any of the foregoing.

4. Each of the undersigned irrevocably and unconditionally waives all rights, if any, which may be applicable to allow the undersigned to purchase any of the Collateral (such as any option or first right of refusal) with respect to Debtor's grant to Secured Party of a security interest therein, or that may exist at the time of and with respect to Secured Party's acquisition or disposition of the Collateral pursuant to the rights and remedies afforded to Secured Party in the Security Agreement.

5. Each of the undersigned agrees that Secured Party and their representatives may at any time upon reasonable advance notice inspect the books, records and properties of the Company.

6. After the occurrence of a default of the Debtor under the Security Agreement, and provided Debtor has failed to timely cure such default under any applicable notice and cure period, until such time as it receives written instructions to do otherwise from Secured Party, the Company shall promptly and completely comply with the provisions of Section 6 of the Security Agreement. After the occurrence of a default of the Debtor under the Security Agreement, and provided Debtor has failed to timely cure such default under any applicable notice and cure period, the Company shall promptly and completely comply with any written instructions received from Secured Party from time to time as to the disposition of Distributions, regardless of the terms of such instructions. Such further instructions need be signed only by Secured Party, and the Company shall comply with them regardless of whether it receives at any time any contrary instructions or demands from Debtor or any other person; provided, only, that the Company may comply with any conflicting court order received from a court of competent jurisdiction.

7. Until such time as they are notified in writing by Secured Party that this Acknowledgment and Consent has been terminated, the undersigned Members shall not, without obtaining the prior written consent of Secured Party, which consent shall not be unreasonably withheld or delayed, cause, suffer or permit the Company Agreement to be amended or modified in any manner which changes Debtor's rights or powers thereunder, nor cause, suffer or permit the termination or dissolution of the Company. No such purported amendment of the Company Agreement or termination or dissolution of the Company without Secured Party's written consent shall be of any force or effect.

8. After any foreclosure upon Debtor's rights to receive Distributions, the undersigned shall promptly and completely comply with the terms of the Security Agreement, regarding the rights of any successor to Debtor's rights to receive Distributions. The undersigned members hereby consent to the admission as a Substitute Member of Secured Party or his assignee upon foreclosure and sale of Debtor's rights in the Collateral pursuant to the Security Agreement.

9. Until such time as they are notified in writing by Secured Party that this Acknowledgment and Consent has been terminated, the undersigned Members shall give Secured Party written notice, at the address set forth above, of any actual or alleged default by Debtor under the Company Agreement and shall afford Secured Party a period of thirty days, or such longer time as may be reasonable under the circumstances, to cure the same prior to taking any action against Debtor in respect thereof; provided, however, that Secured Party shall have no obligation whatsoever to cure or to attempt to cure any such default.

10. Notwithstanding the security interest of Secured Party in the Collateral, Secured Party shall have no obligation or liability whatsoever to the Company, any member thereof, or any creditor or other person having any relationship with the Company, nor shall Secured Party be obligated to perform any of the obligations or duties of Debtor under the Company Agreement or to take any action to collect or enforce any claim for payment of Debtor arising under the Company Agreement.

11. The undersigned acknowledge that the security interest of Secured Party in the Collateral and all of Secured Party's rights and remedies under the Security Agreement may be freely transferred or assigned by Secured Party. In the event of any such transfer or assignment, all of the provisions of this Acknowledgment and Consent shall inure to the benefit of the transferees, successors and assigns of Secured Party. The provisions of this Acknowledgment and Consent shall likewise be binding upon the heirs, successors and assigns of the undersigned.

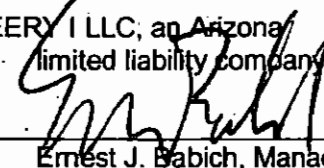
12. The undersigned shall, from time to time, promptly execute and deliver such further instruments, documents and papers and perform such further acts as may be necessary or proper to carry out and effect the terms of this Acknowledgment and Consent.

13. When necessary herein, all terms used in the singular shall apply to the plural, and vice versa, and all terms used in the masculine shall apply to the neuter and feminine genders, and vice versa.

14. This Acknowledgment and Consent may be executed in two or more counterparts, all of which shall constitute one and the same instrument.

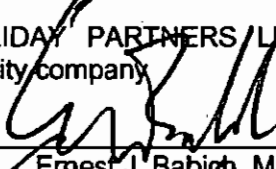
Agreed to and executed as of this 8th day of January, 2013.

CHEERY I LLC, an Arizona
limited liability company

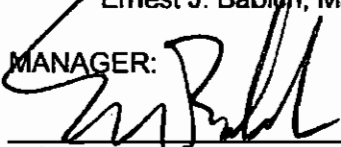
By 
Ernest J. Babich, Manager [Company]

MEMBERS:

HOLIDAY PARTNERS LLC, an Arizona limited
liability company

By 
Ernest J. Babich, Manager

MANAGER:


Ernest J. Babich

Attachment 2

**ARTICLES OF ORGANIZATION
OF
CHEERY I LLC**

Pursuant to A.R.S. § 29-632, the undersigned states as follows:

1. Name. The name of the limited liability company is: CHEERY-I LLC.
2. Known Place of Business. The address of the Company's known place of business in Arizona is: 7373 East Doubletree Ranch Road, Suite 200-17, Scottsdale, Arizona 85258, located in Maricopa County, Arizona.
3. Statutory Agent. The statutory agent's name and address are: Holiday Partners LLC, 7373 East Doubletree Ranch Road, Suite 200-17, Scottsdale, Arizona 85258.
4. Management. Management of the limited liability company is reserved to its Members.
5. Members. The name and address of the sole Member at the time of formation of the limited liability company are:

Holiday Partners LLC
7373 East Doubletree Ranch Road, Suite 200-17, Scottsdale, Arizona 85258

DATED: January 3, 2013

HOLIDAY PARTNERS LLC,
an Arizona limited liability company

By: 
Ernest J. Babich, Manager

ACCEPTANCE OF APPOINTMENT OF STATUTORY AGENT

The undersigned, having been designated to act as Statutory Agent of CHEERY I LLC, hereby consents to act in that capacity until removed or resignation is submitted in accordance with the Arizona Revised Statutes.

Dated: January 3, 2013

HOLIDAY PARTNERS LLC,
an Arizona limited liability company

By: 
Ernest J. Babich, Manager

Exhibit A

Attachment 2

**ACKNOWLEDGMENT AND CONSENT REGARDING
SECURITY AGREEMENT**

TO: City of Scottsdale
Community Assistance Office
7515 East First Street
Scottsdale, Arizona 85251

The undersigned limited liability company (the "Company") and the undersigned members and manager thereof (the "Members") hereby acknowledge receipt of a copy of the Security Agreement (the "Security Agreement"), dated January 8, 2013, between Holiday Partners LLC, an Arizona limited liability company ("Debtor") in favor of the City of Scottsdale, an Arizona municipal corporation ("Secured Party"). The undersigned further acknowledge that Secured Party is proposing to extend certain credit on behalf of the Debtor, or in reliance upon the Security Agreement and related instruments being entered into has extended said credit, any distinction as to which the Company and Debtor/member hereby irrevocably waive, and that Secured Party would not extend such credit but for the agreements and representations of the undersigned contained herein. Capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed to them in the Security Agreement.

NOW, THEREFORE, intending that Secured Party may rely hereon, and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned hereby represent, warrant and covenant to Secured Party as follows:

1. (a) Exhibit "A" hereto consists of a true and complete copy of the Articles of Organization (attached hereto) and the Operating Agreement (which is on file with the City but not attached hereto) of the Company as currently in effect, including any and all amendments thereto (the "Company Agreement"); (b) Debtor is currently the owner of a one hundred percent Membership Interest in the Company; (c) Debtor is not in default under the Company Agreement in any respect; and no event has occurred which, with notice or lapse of time or both, would constitute an event of default by Debtor under the Company Agreement; (d) no Distributions have been prepaid by the Company to Debtor; (e) the Company is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Arizona; and (f) neither the execution, delivery nor performance by the Company of this Acknowledgment and Consent violates either: (i) the Company Agreement; (ii) any contract, commitment or other agreement to which the Company is a party or by which the Company or any of its properties is bound (collectively, the "Company Contractual Obligations"); or (iii) any law, order, decree or writ to which the Company or any of its properties is subject (collectively the "Applicable Laws").

2. (a) Debtor's grant to Secured Party of a security interest in the Collateral does not violate the Company Agreement, any Company Contractual Obligation, or any Applicable Law; and (b) no consent of any governmental authority, regulatory body or other person is required, under the Company Agreement, any Company Contractual Obligation, any Applicable Law or otherwise, with respect to Debtor's grant to Secured Party of a security interest in and to the Collateral or with respect to the succession of Secured Party or any purchaser at any foreclosure sale to all of the rights of Debtor to receive the Distributions.

3. Each of the undersigned Members hereby irrevocably and unconditionally consent to Debtor's grant to Secured Party of a security interest in all of Debtor's rights in the Collateral and to the succession (pursuant to the rights or remedies afforded to Secured Party in the Security Agreement) of Secured Party or any purchaser at a foreclosure sale to all of the rights of Debtor in the Collateral. The undersigned further agrees that following completion of the foreclosure and sale and disposition of the Collateral, upon presentation of a fully executed original of the Assignment of Company Interest, attached as Schedule 4 to the Security Agreement, the undersigned shall join with the Assignee named therein and execute any required amendment to the Company Agreement stating that Debtor no longer owns or claims an interest with respect to the Collateral, or portion thereof, assigned therein to the Assignee, and acknowledging that the Company has not dissolved on account of such sale, disposition or assignment of such Collateral, and that the Assignee is admitted as a new member of the Company in place of Debtor as to such Collateral so assigned to Assignee. If Secured Party becomes substituted as a member of the Company in place of Debtor, each of the undersigned agrees to indemnify and hold harmless Secured Party and each of them from and against all liability for the obligations of the Company arising before Secured Party's admission to the Company. Each of the undersigned Members hereby appoints Secured Party as his, her or its attorney-in-fact, with full power of substitution, to execute on behalf of such Member any and all documents, instruments and agreements which may be necessary or advisable, in the opinion of Secured Party, to give effect to any of the foregoing.

4. Each of the undersigned irrevocably and unconditionally waives all rights, if any, which may be applicable to allow the undersigned to purchase any of the Collateral (such as any option or first right of refusal) with respect to Debtor's grant to Secured Party of a security interest therein, or that may exist at the time of and with respect to Secured Party's acquisition or disposition of the Collateral pursuant to the rights and remedies afforded to Secured Party in the Security Agreement.

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7. Until such time as they are notified in writing by Secured Party that this Acknowledgment and Consent has been terminated, the undersigned Members shall not, without obtaining the prior written consent of Secured Party, which consent shall not be unreasonably withheld or delayed, cause, suffer or permit the Company Agreement to be amended or modified in any manner which changes Debtor's rights or powers thereunder, nor cause, suffer or permit the termination or dissolution of the Company. No such purported amendment of the Company Agreement or termination or dissolution of the Company without Secured Party's written consent shall be of any force or effect.

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10. Notwithstanding the security interest of Secured Party in the Collateral, Secured Party shall have no obligation or liability whatsoever to the Company, any member thereof, or any creditor or other person having any relationship with the Company, nor shall Secured Party be obligated to perform any of the obligations or duties of Debtor under the Company Agreement or to take any action to collect or enforce any claim for payment of Debtor arising under the Company Agreement.

11. The undersigned acknowledge that the security interest of Secured Party in the Collateral and all of Secured Party's rights and remedies under the Security Agreement may be freely transferred or assigned by Secured Party. In the event of any such transfer or assignment, all of the provisions of this Acknowledgment and Consent shall inure to the benefit of the transferees, successors and assigns of Secured Party. The provisions of this Acknowledgment and Consent shall likewise be binding upon the heirs, successors and assigns of the undersigned.

12. The undersigned shall, from time to time, promptly execute and deliver such further instruments, documents and papers and perform such further acts as may be necessary or proper to carry out and effect the terms of this Acknowledgment and Consent.

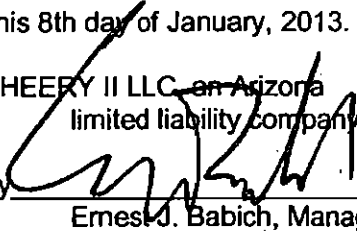
13. When necessary herein, all terms used in the singular shall apply to the plural, and vice versa, and all terms used in the masculine shall apply to the neuter and feminine genders, and vice versa.

14. This Acknowledgment and Consent may be executed in two or more counterparts, all of which shall constitute one and the same instrument.

Agreed to and executed as of this 8th day of January, 2013.

CHEERY II LLC, an Arizona
limited liability company

By


Ernest J. Babich, Manager

[Company]

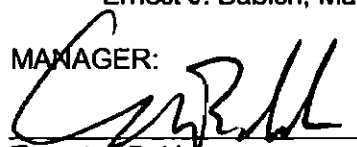
MEMBERS:

HOLIDAY PARTNERS LLC, an Arizona limited
liability company

By


Ernest J. Babich, Manager

MANAGER:


Ernest J. Babich

**ARTICLES OF ORGANIZATION
OF
CHEERY II LLC**

Pursuant to A.R.S. § 29-632, the undersigned states as follows:

1. Name. The name of the limited liability company is: CHEERY II LLC.
2. Known Place of Business. The address of the Company's known place of business in Arizona is: 7373 East Doubletree Ranch Road, Suite 200-17, Scottsdale, Arizona 85258, located in Maricopa County, Arizona.
3. Statutory Agent. The statutory agent's name and address are: Holiday Partners LLC, 7373 East Doubletree Ranch Road, Suite 200-17, Scottsdale, Arizona 85258.
4. Management. Management of the limited liability company is reserved to its Members.
5. Members. The name and address of the sole Member at the time of formation of the limited liability company are:

Holiday Partners LLC
7373 East Doubletree Ranch Road, Suite 200-17, Scottsdale, Arizona 85258

DATED: January 3, 2013

HOLIDAY PARTNERS LLC
an Arizona limited liability company

By: 
Ernest J. Babich, Manager

ACCEPTANCE OF APPOINTMENT OF STATUTORY AGENT

The undersigned, having been designated to act as Statutory Agent of CHEERY II LLC, hereby consents to act in that capacity until removed or resignation is submitted in accordance with the Arizona Revised Statutes.

Dated: January 3, 2013

HOLIDAY PARTNERS LLC,
an Arizona limited liability company

By: 
Ernest J. Babich, Manager

Exhibit A

**ACKNOWLEDGMENT AND CONSENT REGARDING
SECURITY AGREEMENT**

TO: City of Scottsdale
Community Assistance Office
7515 East First Street
Scottsdale, Arizona 85251

The undersigned limited liability company (the "Company") and the undersigned members and manager thereof (the "Members") hereby acknowledge receipt of a copy of the Security Agreement (the "Security Agreement"), dated January 8, 2013, between Holiday Partners LLC, an Arizona limited liability company ("Debtor") in favor of the City of Scottsdale, an Arizona municipal corporation ("Secured Party"). The undersigned further acknowledge that Secured Party is proposing to extend certain credit on behalf of the Debtor, or in reliance upon the Security Agreement and related instruments being entered into has extended said credit, any distinction as to which the Company and Debtor/member hereby irrevocably waive, and that Secured Party would not extend such credit but for the agreements and representations of the undersigned contained herein. Capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed to them in the Security Agreement.

NOW, THEREFORE, intending that Secured Party may rely hereon, and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned hereby represent, warrant and covenant to Secured Party as follows:

1. (a) Exhibit "A" hereto consists of a true and complete copy of the Articles of Organization (attached hereto) and the Operating Agreement (which is on file with the City but not attached hereto) of the Company as currently in effect, including any and all amendments thereto (the "Company Agreement"); (b) Debtor is currently the owner of a one hundred percent Membership Interest in the Company; (c) Debtor is not in default under the Company Agreement in any respect; and no event has occurred which, with notice or lapse of time or both, would constitute an event of default by Debtor under the Company Agreement; (d) no Distributions have been prepaid by the Company to Debtor; (e) the Company is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Arizona; and (f) neither the execution, delivery nor performance by the Company of this Acknowledgment and Consent violates either: (i) the Company Agreement; (ii) any contract, commitment or other agreement to which the Company is a party or by which the Company or any of its properties is bound (collectively, the "Company Contractual Obligations"); or (iii) any law, order, decree or writ to which the Company or any of its properties is subject (collectively the "Applicable Laws").

2. (a) Debtor's grant to Secured Party of a security interest in the Collateral does not violate the Company Agreement, any Company Contractual Obligation, or any Applicable Law; and (b) no consent of any governmental authority, regulatory body or other person is required, under the Company Agreement, any Company Contractual Obligation, any Applicable Law or otherwise, with respect to Debtor's grant to Secured Party of a security interest in and to the Collateral or with respect to the succession of Secured Party or any purchaser at any foreclosure sale to all of the rights of Debtor to receive the Distributions.

3. Each of the undersigned Members hereby irrevocably and unconditionally consent to Debtor's grant to Secured Party of a security interest in all of Debtor's rights in the Collateral and to the succession (pursuant to the rights or remedies afforded to Secured Party in the Security Agreement) of Secured Party or any purchaser at a foreclosure sale to all of the rights of Debtor in the Collateral. The undersigned further agrees that following completion of the foreclosure and sale and disposition of the Collateral, upon presentation of a fully executed original of the Assignment of Company Interest, attached as Schedule 4 to the Security Agreement, the undersigned shall join with the Assignee named therein and execute any required amendment to the Company Agreement stating that Debtor no longer owns or claims an interest with respect to the Collateral, or portion thereof, assigned therein to the Assignee, and acknowledging that the Company has not dissolved on account of such sale, disposition or assignment of such Collateral, and that the Assignee is admitted as a new member of the Company in place of Debtor as to such Collateral so assigned to Assignee. If Secured Party becomes substituted as a member of the Company in place of Debtor, each of the undersigned agrees to indemnify and hold harmless Secured Party and each of them from and against all liability for the obligations of the Company arising before Secured Party's admission to the Company. Each of the undersigned Members hereby appoints Secured Party as his, her or its attorney-in-fact, with full power of substitution, to execute on behalf of such Member any and all documents, instruments and agreements which may be necessary or advisable, in the opinion of Secured Party, to give effect to any of the foregoing.

4. Each of the undersigned irrevocably and unconditionally waives all rights, if any, which may be applicable to allow the undersigned to purchase any of the Collateral (such as any option or first right of refusal) with respect to Debtor's grant to Secured Party of a security interest therein, or that may exist at the time of and with respect to Secured Party's acquisition or disposition of the Collateral pursuant to the rights and remedies afforded to Secured Party in the Security Agreement.

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10. Notwithstanding the security interest of Secured Party in the Collateral, Secured Party shall have no obligation or liability whatsoever to the Company, any member thereof, or any creditor or other person having any relationship with the Company, nor shall Secured Party be obligated to perform any of the obligations or duties of Debtor under the Company Agreement or to take any action to collect or enforce any claim for payment of Debtor arising under the Company Agreement.

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12. The undersigned shall, from time to time, promptly execute and deliver such further instruments, documents and papers and perform such further acts as may be necessary or proper to carry out and effect the terms of this Acknowledgment and Consent.

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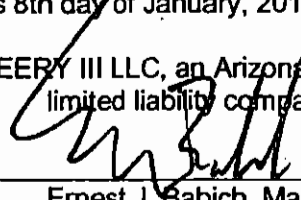
Attachment 2

14. This Acknowledgment and Consent may be executed in two or more counterparts, all of which shall constitute one and the same instrument.

Agreed to and executed as of this 8th day of January, 2013.

CHEERY III LLC, an Arizona
limited liability company

By


Ernest J. Babich, Manager

[Company]

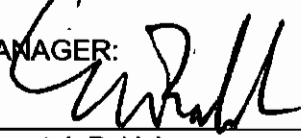
MEMBERS:

HOLIDAY PARTNERS, LLC, an Arizona limited
liability company

By


Ernest J. Babich, Manager

MANAGER:


Ernest J. Babich

**ARTICLES OF ORGANIZATION
OF
CHEERY III LLC**

Pursuant to A.R.S. § 29-632, the undersigned states as follows:

1. Name. The name of the limited liability company is: CHEERY III LLC.
2. Known Place of Business. The address of the Company's known place of business in Arizona is: 7373 East Doubletree Ranch Road, Suite 200-17, Scottsdale, Arizona 85258, located in Maricopa County, Arizona.
3. Statutory Agent. The statutory agent's name and address are: Holiday Partners LLC, 7373 East Doubletree Ranch Road, Suite 200-17, Scottsdale, Arizona 85258.
4. Management. Management of the limited liability company is reserved to its Members.
5. Members. The name and address of the sole Member at the time of formation of the limited liability company are:

Holiday Partners LLC
7373 East Doubletree Ranch Road, Suite 200-17, Scottsdale, Arizona 85258

DATED: January 3, 2013

HOLIDAY PARTNERS LLC
an Arizona limited liability company

By: 
Ernest J. Babich, Manager

ACCEPTANCE OF APPOINTMENT OF STATUTORY AGENT

The undersigned, having been designated to act as Statutory Agent of CHEERY III LLC, hereby consents to act in that capacity until removed or resignation is submitted in accordance with the Arizona Revised Statutes.

Dated: January 3, 2013

HOLIDAY PARTNERS LLC
an Arizona limited liability company

By: 
Ernest J. Babich, Manager

Exhibit A

**ACKNOWLEDGMENT AND CONSENT REGARDING
SECURITY AGREEMENT**

TO: City of Scottsdale
Community Assistance Office
7515 East First Street
Scottsdale, Arizona 85251

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NOW, THEREFORE, intending that Secured Party may rely hereon, and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned hereby represent, warrant and covenant to Secured Party as follows:

1. (a) Exhibit "A" hereto consists of a true and complete copy of the Articles of Organization (attached hereto) and the Operating Agreement (which is on file with the City but not attached hereto) of the Company as currently in effect, including any and all amendments thereto (the "Company Agreement"); (b) Debtor is currently the owner of a one hundred percent Membership Interest in the Company; (c) Debtor is not in default under the Company Agreement in any respect; and no event has occurred which, with notice or lapse of time or both, would constitute an event of default by Debtor under the Company Agreement; (d) no Distributions have been prepaid by the Company to Debtor; (e) the Company is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Arizona; and (f) neither the execution, delivery nor performance by the Company of this Acknowledgment and Consent violates either: (i) the Company Agreement; (ii) any contract, commitment or other agreement to which the Company is a party or by which the Company or any of its properties is bound (collectively, the "Company Contractual Obligations"); or (iii) any law, order, decree or writ to which the Company or any of its properties is subject (collectively the "Applicable Laws").

2. (a) Debtor's grant to Secured Party of a security interest in the Collateral does not violate the Company Agreement, any Company Contractual Obligation, or any Applicable Law; and (b) no consent of any governmental authority, regulatory body or other person is required, under the Company Agreement, any Company Contractual Obligation, any Applicable Law or otherwise, with respect to Debtor's grant to Secured Party of a security interest in and to the Collateral or with respect to the succession of Secured Party or any purchaser at any foreclosure sale to all of the rights of Debtor to receive the Distributions.

3. Each of the undersigned Members hereby irrevocably and unconditionally consent to Debtor's grant to Secured Party of a security interest in all of Debtor's rights in the Collateral and to the succession (pursuant to the rights or remedies afforded to Secured Party in the Security Agreement) of Secured Party or any purchaser at a foreclosure sale to all of the rights of Debtor in the Collateral. The undersigned further agrees that following completion of the foreclosure and sale and disposition of the Collateral, upon presentation of a fully executed original of the Assignment of Company Interest, attached as Schedule 4 to the Security Agreement, the undersigned shall join with the Assignee named therein and execute any required amendment to the Company Agreement stating that Debtor no longer owns or claims an interest with respect to the Collateral, or portion thereof, assigned therein to the Assignee, and acknowledging that the Company has not dissolved on account of such sale, disposition or assignment of such Collateral, and that the Assignee is admitted as a new member of the Company in place of Debtor as to such Collateral so assigned to Assignee. If Secured Party becomes substituted as a member of the Company in place of Debtor, each of the undersigned agrees to indemnify and hold harmless Secured Party and each of them from and against all liability for the obligations of the Company arising before Secured Party's admission to the Company. Each of the undersigned Members hereby appoints Secured Party as his, her or its attorney-in-fact, with full power of substitution, to execute on behalf of such Member any and all documents, instruments and agreements which may be necessary or advisable, in the opinion of Secured Party, to give effect to any of the foregoing.

4. Each of the undersigned irrevocably and unconditionally waives all rights, if any, which may be applicable to allow the undersigned to purchase any of the Collateral (such as any option or first right of refusal) with respect to Debtor's grant to Secured Party of a security interest therein, or that may exist at the time of and with respect to Secured Party's acquisition or disposition of the Collateral pursuant to the rights and remedies afforded to Secured Party in the Security Agreement.

5. Each of the undersigned agrees that Secured Party and their representatives may at any time upon reasonable advance notice inspect the books, records and properties of the Company.

6. After the occurrence of a default of the Debtor under the Security Agreement, and provided Debtor has failed to timely cure such default under any applicable notice and cure period, until such time as it receives written instructions to do otherwise from Secured Party, the Company shall promptly and completely comply with the provisions of Section 6 of the Security Agreement. After the occurrence of a default of the Debtor under the Security Agreement, and provided Debtor has failed to timely cure such default under any applicable notice and cure period, the Company shall promptly and completely comply with any written instructions received from Secured Party from time to time as to the disposition of Distributions, regardless of the terms of such instructions. Such further instructions need be signed only by Secured Party, and the Company shall comply with them regardless of whether it receives at any time any contrary instructions or demands from Debtor or any other person; provided, only, that the Company may comply with any conflicting court order received from a court of competent jurisdiction.

7. Until such time as they are notified in writing by Secured Party that this Acknowledgment and Consent has been terminated, the undersigned Members shall not, without obtaining the prior written consent of Secured Party, which consent shall not be unreasonably withheld or delayed, cause, suffer or permit the Company Agreement to be amended or modified in any manner which changes Debtor's rights or powers thereunder, nor cause, suffer or permit the termination or dissolution of the Company. No such purported amendment of the Company Agreement or termination or dissolution of the Company without Secured Party's written consent shall be of any force or effect.

8. After any foreclosure upon Debtor's rights to receive Distributions, the undersigned shall promptly and completely comply with the terms of the Security Agreement, regarding the rights of any successor to Debtor's rights to receive Distributions. The undersigned members hereby consent to the admission as a Substitute Member of Secured Party or his assignee upon foreclosure and sale of Debtor's rights in the Collateral pursuant to the Security Agreement.

9. Until such time as they are notified in writing by Secured Party that this Acknowledgment and Consent has been terminated, the undersigned Members shall give Secured Party written notice, at the address set forth above, of any actual or alleged default by Debtor under the Company Agreement and shall afford Secured Party a period of thirty days, or such longer time as may be reasonable under the circumstances, to cure the same prior to taking any action against Debtor in respect thereof; provided, however, that Secured Party shall have no obligation whatsoever to cure or to attempt to cure any such default.

10. Notwithstanding the security interest of Secured Party in the Collateral, Secured Party shall have no obligation or liability whatsoever to the Company, any member thereof, or any creditor or other person having any relationship with the Company, nor shall Secured Party be obligated to perform any of the obligations or duties of Debtor under the Company Agreement or to take any action to collect or enforce any claim for payment of Debtor arising under the Company Agreement.

11. The undersigned acknowledge that the security interest of Secured Party in the Collateral and all of Secured Party's rights and remedies under the Security Agreement may be freely transferred or assigned by Secured Party. In the event of any such transfer or assignment, all of the provisions of this Acknowledgment and Consent shall inure to the benefit of the transferees, successors and assigns of Secured Party. The provisions of this Acknowledgment and Consent shall likewise be binding upon the heirs, successors and assigns of the undersigned.

12. The undersigned shall, from time to time, promptly execute and deliver such further instruments, documents and papers and perform such further acts as may be necessary or proper to carry out and effect the terms of this Acknowledgment and Consent.

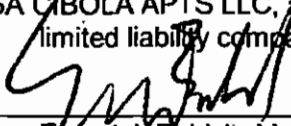
13. When necessary herein, all terms used in the singular shall apply to the plural, and vice versa, and all terms used in the masculine shall apply to the neuter and feminine genders, and vice versa.

14. This Acknowledgment and Consent may be executed in two or more counterparts, all of which shall constitute one and the same instrument.

Agreed to and executed as of this 8th day of January, 2013.

CASA CIBOLA APTS LLC, an Arizona
limited liability company

By


Ernest J. Babich, Manager

[Company]

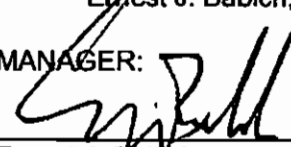
MEMBERS:

HOLIDAY PARTNERS LLC, an Arizona limited
liability company

By


Ernest J. Babich, Manager

MANAGER:


Ernest J. Babich

**ARTICLES OF ORGANIZATION
OF
CASA CIBOLA APTS LLC**

Pursuant to A.R.S. § 29-632, the undersigned states as follows:

1. Name. The name of the limited liability company is: CASA CIBOLA APTS LLC.
2. Known Place of Business. The address of the Company's known place of business in Arizona is: 7373 East Doubletree Ranch Road, Suite 200-17, Scottsdale, Arizona 85258, located in Maricopa County, Arizona.
3. Statutory Agent. The statutory agent's name and address are: Holiday Partners LLC, 7373 East Doubletree Ranch Road, Suite 200-17, Scottsdale, Arizona 85258.
4. Management. Management of the limited liability company is reserved to its Members.
5. Members. The name and address of the sole Member at the time of formation of the limited liability company are:

Holiday Partners LLC
7373 East Doubletree Ranch Road, Suite 200-17, Scottsdale, Arizona 85258

DATED: January 3, 2013

HOLIDAY PARTNERS LLC,
an Arizona limited liability company

By: 
Ernest J. Babich, Manager

ACCEPTANCE OF APPOINTMENT OF STATUTORY AGENT

The undersigned, having been designated to act as Statutory Agent of CASA CIBOLA APTS LLC, hereby consents to act in that capacity until removed or resignation is submitted in accordance with the Arizona Revised Statutes.

Dated: January 3, 2013

HOLIDAY PARTNERS LLC,
an Arizona limited liability company

By: 
Ernest J. Babich, Manager

Exhibit A

**ACKNOWLEDGMENT AND CONSENT REGARDING
SECURITY AGREEMENT**

TO: City of Scottsdale
Community Assistance Office
7515 East First Street
Scottsdale, Arizona 85251

The undersigned limited liability company (the "Company") and the undersigned members and manager thereof (the "Members") hereby acknowledge receipt of a copy of the Security Agreement (the "Security Agreement"), dated January 8, 2013, between Holiday Partners LLC, an Arizona limited liability company ("Debtor") in favor of the City of Scottsdale, an Arizona municipal corporation ("Secured Party"). The undersigned further acknowledge that Secured Party is proposing to extend certain credit on behalf of the Debtor, or in reliance upon the Security Agreement and related instruments being entered into has extended said credit, any distinction as to which the Company and Debtor/member hereby irrevocably waive, and that Secured Party would not extend such credit but for the agreements and representations of the undersigned contained herein. Capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed to them in the Security Agreement.

NOW, THEREFORE, intending that Secured Party may rely hereon, and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned hereby represent, warrant and covenant to Secured Party as follows:

1. (a) Exhibit "A" hereto consists of a true and complete copy of the Articles of Organization (attached hereto) and the Operating Agreement (which is on file with the City but not attached hereto) of the Company as currently in effect, including any and all amendments thereto (the "Company Agreement"); (b) Debtor is currently the owner of a one hundred percent Membership Interest in the Company; (c) Debtor is not in default under the Company Agreement in any respect; and no event has occurred which, with notice or lapse of time or both, would constitute an event of default by Debtor under the Company Agreement; (d) no Distributions have been prepaid by the Company to Debtor; (e) the Company is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Arizona; and (f) neither the execution, delivery nor performance by the Company of this Acknowledgment and Consent violates either: (i) the Company Agreement; (ii) any contract, commitment or other agreement to which the Company is a party or by which the Company or any of its properties is bound (collectively, the "Company Contractual Obligations"); or (iii) any law, order, decree or writ to which the Company or any of its properties is subject (collectively the "Applicable Laws").

2. (a) Debtor's grant to Secured Party of a security interest in the Collateral does not violate the Company Agreement, any Company Contractual Obligation, or any Applicable Law; and (b) no consent of any governmental authority, regulatory body or other person is required, under the Company Agreement, any Company Contractual Obligation, any Applicable Law or otherwise, with respect to Debtor's grant to Secured Party of a security interest in and to the Collateral or with respect to the succession of Secured Party or any purchaser at any foreclosure sale to all of the rights of Debtor to receive the Distributions.

3. Each of the undersigned Members hereby irrevocably and unconditionally consent to Debtor's grant to Secured Party of a security interest in all of Debtor's rights in the Collateral and to the succession (pursuant to the rights or remedies afforded to Secured Party in the Security Agreement) of Secured Party or any purchaser at a foreclosure sale to all of the rights of Debtor in the Collateral. The undersigned further agrees that following completion of the foreclosure and sale and disposition of the Collateral, upon presentation of a fully executed original of the Assignment of Company Interest, attached as Schedule 4 to the Security Agreement, the undersigned shall join with the Assignee named therein and execute any required amendment to the Company Agreement stating that Debtor no longer owns or claims an interest with respect to the Collateral, or portion thereof, assigned therein to the Assignee, and acknowledging that the Company has not dissolved on account of such sale, disposition or assignment of such Collateral, and that the Assignee is admitted as a new member of the Company in place of Debtor as to such Collateral so assigned to Assignee. If Secured Party becomes substituted as a member of the Company in place of Debtor, each of the undersigned agrees to indemnify and hold harmless Secured Party and each of them from and against all liability for the obligations of the Company arising before Secured Party's admission to the Company. Each of the undersigned Members hereby appoints Secured Party as his, her or its attorney-in-fact, with full power of substitution, to execute on behalf of such Member any and all documents, instruments and agreements which may be necessary or advisable, in the opinion of Secured Party, to give effect to any of the foregoing.

4. Each of the undersigned irrevocably and unconditionally waives all rights, if any, which may be applicable to allow the undersigned to purchase any of the Collateral (such as any option or first right of refusal) with respect to Debtor's grant to Secured Party of a security interest therein, or that may exist at the time of and with respect to Secured Party's acquisition or disposition of the Collateral pursuant to the rights and remedies afforded to Secured Party in the Security Agreement.

5. Each of the undersigned agrees that Secured Party and their representatives may at any time upon reasonable advance notice inspect the books, records and properties of the Company.

6. After the occurrence of a default of the Debtor under the Security Agreement, and provided Debtor has failed to timely cure such default under any applicable notice and cure period, until such time as it receives written instructions to do otherwise from Secured Party, the Company shall promptly and completely comply with the provisions of Section 6 of the Security Agreement. After the occurrence of a default of the Debtor under the Security Agreement, and provided Debtor has failed to timely cure such default under any applicable notice and cure period, the Company shall promptly and completely comply with any written instructions received from Secured Party from time to time as to the disposition of Distributions, regardless of the terms of such instructions. Such further instructions need be signed only by Secured Party, and the Company shall comply with them regardless of whether it receives at any time any contrary instructions or demands from Debtor or any other person; provided, only, that the Company may comply with any conflicting court order received from a court of competent jurisdiction.

7. Until such time as they are notified in writing by Secured Party that this Acknowledgment and Consent has been terminated, the undersigned Members shall not, without obtaining the prior written consent of Secured Party, which consent shall not be unreasonably withheld or delayed, cause, suffer or permit the Company Agreement to be amended or modified in any manner which changes Debtor's rights or powers thereunder, nor cause, suffer or permit the termination or dissolution of the Company. No such purported amendment of the Company Agreement or termination or dissolution of the Company without Secured Party's written consent shall be of any force or effect.

8. After any foreclosure upon Debtor's rights to receive Distributions, the undersigned shall promptly and completely comply with the terms of the Security Agreement, regarding the rights of any successor to Debtor's rights to receive Distributions. The undersigned members hereby consent to the admission as a Substitute Member of Secured Party or his assignee upon foreclosure and sale of Debtor's rights in the Collateral pursuant to the Security Agreement.

9. Until such time as they are notified in writing by Secured Party that this Acknowledgment and Consent has been terminated, the undersigned Members shall give Secured Party written notice, at the address set forth above, of any actual or alleged default by Debtor under the Company Agreement and shall afford Secured Party a period of thirty days, or such longer time as may be reasonable under the circumstances, to cure the same prior to taking any action against Debtor in respect thereof; provided, however, that Secured Party shall have no obligation whatsoever to cure or to attempt to cure any such default.

10. Notwithstanding the security interest of Secured Party in the Collateral, Secured Party shall have no obligation or liability whatsoever to the Company, any member thereof, or any creditor or other person having any relationship with the Company, nor shall Secured Party be obligated to perform any of the obligations or duties of Debtor under the Company Agreement or to take any action to collect or enforce any claim for payment of Debtor arising under the Company Agreement.

11. The undersigned acknowledge that the security interest of Secured Party in the Collateral and all of Secured Party's rights and remedies under the Security Agreement may be freely transferred or assigned by Secured Party. In the event of any such transfer or assignment, all of the provisions of this Acknowledgment and Consent shall inure to the benefit of the transferees, successors and assigns of Secured Party. The provisions of this Acknowledgment and Consent shall likewise be binding upon the heirs, successors and assigns of the undersigned.

12. The undersigned shall, from time to time, promptly execute and deliver such further instruments, documents and papers and perform such further acts as may be necessary or proper to carry out and effect the terms of this Acknowledgment and Consent.

13. When necessary herein, all terms used in the singular shall apply to the plural, and vice versa, and all terms used in the masculine shall apply to the neuter and feminine genders, and vice versa.

14. This Acknowledgment and Consent may be executed in two or more counterparts, all of which shall constitute one and the same instrument.

Agreed to and executed as of this 8th day of January, 2013.

ROYAL PALMS APTS, LLC, an Arizona
limited liability company

By


Ernest J. Babich, Manager

[Company]

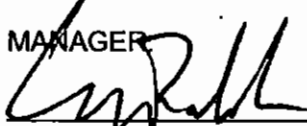
MEMBERS:

HOLIDAY PARTNERS, LLC, an Arizona limited
liability company

By


Ernest J. Babich, Manager

MANAGER:


Ernest J. Babich

Attachment 2

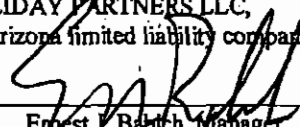
**ARTICLES OF ORGANIZATION
OF
ROYAL PALMS APTS LLC**

Pursuant to A.R.S. § 29-632, the undersigned states as follows:

1. Name. The name of the limited liability company is: ROYAL PALMS APTS LLC.
2. Known Place of Business. The address of the Company's known place of business in Arizona is: 7373 East Doubletree Ranch Road, Suite 200-17, Scottsdale, Arizona 85258, located in Maricopa County, Arizona.
3. Statutory Agent. The statutory agent's name and address are: Holiday Partners LLC, 7373 East Doubletree Ranch Road, Suite 200-17, Scottsdale, Arizona 85258.
4. Management. Management of the limited liability company is reserved to its Members.
5. Members. The name and address of the sole Member at the time of formation of the limited liability company are:

Holiday Partners LLC
7373 East Doubletree Ranch Road, Suite 200-17, Scottsdale, Arizona 85258

DATED: January 3, 2013

HOLIDAY PARTNERS LLC,
an Arizona limited liability company
By: 
Ernest J. Babich, Manager

ACCEPTANCE OF APPOINTMENT OF STATUTORY AGENT

The undersigned, having been designated to act as Statutory Agent of ROYAL PALMS APTS LLC, hereby consents to act in that capacity until removed or resignation is submitted in accordance with the Arizona Revised Statutes.

Dated: January 3, 2013

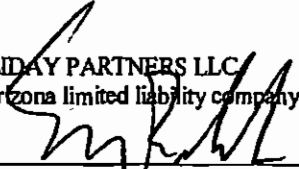
HOLIDAY PARTNERS LLC,
an Arizona limited liability company
By: 
Ernest J. Babich, Manager

Exhibit A

**ACKNOWLEDGMENT AND CONSENT REGARDING
SECURITY AGREEMENT**

TO: City of Scottsdale
Community Assistance Office
7515 East First Street
Scottsdale, Arizona 85251

The undersigned limited liability company (the "Company") and the undersigned members and manager thereof (the "Members") hereby acknowledge receipt of a copy of the Security Agreement (the "Security Agreement"), dated January 8, 2013, between Holiday Partners LLC, an Arizona limited liability company ("Debtor") in favor of the City of Scottsdale, an Arizona municipal corporation ("Secured Party"). The undersigned further acknowledge that Secured Party is proposing to extend certain credit on behalf of the Debtor, or in reliance upon the Security Agreement and related instruments being entered into has extended said credit, any distinction as to which the Company and Debtor/member hereby irrevocably waive, and that Secured Party would not extend such credit but for the agreements and representations of the undersigned contained herein. Capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed to them in the Security Agreement.

NOW, THEREFORE, intending that Secured Party may rely hereon, and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned hereby represent, warrant and covenant to Secured Party as follows:

1. (a) Exhibit "A" hereto consists of a true and complete copy of the Articles of Organization (attached hereto) and the Operating Agreement (which is on file with the City but not attached hereto) of the Company as currently in effect, including any and all amendments thereto (the "Company Agreement"); (b) Debtor is currently the owner of a one hundred percent Membership Interest in the Company; (c) Debtor is not in default under the Company Agreement in any respect; and no event has occurred which, with notice or lapse of time or both, would constitute an event of default by Debtor under the Company Agreement; (d) no Distributions have been prepaid by the Company to Debtor; (e) the Company is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Arizona; and (f) neither the execution, delivery nor performance by the Company of this Acknowledgment and Consent violates either: (i) the Company Agreement; (ii) any contract, commitment or other agreement to which the Company is a party or by which the Company or any of its properties is bound (collectively, the "Company Contractual Obligations"); or (iii) any law, order, decree or writ to which the Company or any of its properties is subject (collectively the "Applicable Laws").

2. (a) Debtor's grant to Secured Party of a security interest in the Collateral does not violate the Company Agreement, any Company Contractual Obligation, or any Applicable Law; and (b) no consent of any governmental authority, regulatory body or other person is required, under the Company Agreement, any Company Contractual Obligation, any Applicable Law or otherwise, with respect to Debtor's grant to Secured Party of a security interest in and to the Collateral or with respect to the succession of Secured Party or any purchaser at any foreclosure sale to all of the rights of Debtor to receive the Distributions.

3. Each of the undersigned Members hereby irrevocably and unconditionally consent to Debtor's grant to Secured Party of a security interest in all of Debtor's rights in the Collateral and to the succession (pursuant to the rights or remedies afforded to Secured Party in the Security Agreement) of Secured Party or any purchaser at a foreclosure sale to all of the rights of Debtor in the Collateral. The undersigned further agrees that following completion of the foreclosure and sale and disposition of the Collateral, upon presentation of a fully executed original of the Assignment of Company Interest, attached as Schedule 4 to the Security Agreement, the undersigned shall join with the Assignee named therein and execute any required amendment to the Company Agreement stating that Debtor no longer owns or claims an interest with respect to the Collateral, or portion thereof, assigned therein to the Assignee, and acknowledging that the Company has not dissolved on account of such sale, disposition or assignment of such Collateral, and that the Assignee is admitted as a new member of the Company in place of Debtor as to such Collateral so assigned to Assignee. If Secured Party becomes substituted as a member of the Company in place of Debtor, each of the undersigned agrees to indemnify and hold harmless Secured Party and each of them from and against all liability for the obligations of the Company arising before Secured Party's admission to the Company. Each of the undersigned Members hereby appoints Secured Party as his, her or its attorney-in-fact, with full power of substitution, to execute on behalf of such Member any and all documents, instruments and agreements which may be necessary or advisable, in the opinion of Secured Party, to give effect to any of the foregoing.

4. Each of the undersigned irrevocably and unconditionally waives all rights, if any, which may be applicable to allow the undersigned to purchase any of the Collateral (such as any option or first right of refusal) with respect to Debtor's grant to Secured Party of a security interest therein, or that may exist at the time of and with respect to Secured Party's acquisition or disposition of the Collateral pursuant to the rights and remedies afforded to Secured Party in the Security Agreement.

5. Each of the undersigned agrees that Secured Party and their representatives may at any time upon reasonable advance notice inspect the books, records and properties of the Company.

6. After the occurrence of a default of the Debtor under the Security Agreement, and provided Debtor has failed to timely cure such default under any applicable notice and cure period, until such time as it receives written instructions to do otherwise from Secured Party, the Company shall promptly and completely comply with the provisions of Section 6 of the Security Agreement. After the occurrence of a default of the Debtor under the Security Agreement, and provided Debtor has failed to timely cure such default under any applicable notice and cure period, the Company shall promptly and completely comply with any written instructions received from Secured Party from time to time as to the disposition of Distributions, regardless of the terms of such instructions. Such further instructions need be signed only by Secured Party, and the Company shall comply with them regardless of whether it receives at any time any contrary instructions or demands from Debtor or any other person; provided, only, that the Company may comply with any conflicting court order received from a court of competent jurisdiction.

7. Until such time as they are notified in writing by Secured Party that this Acknowledgment and Consent has been terminated, the undersigned Members shall not, without obtaining the prior written consent of Secured Party, which consent shall not be unreasonably withheld or delayed, cause, suffer or permit the Company Agreement to be amended or modified in any manner which changes Debtor's rights or powers thereunder, nor cause, suffer or permit the termination or dissolution of the Company. No such purported amendment of the Company Agreement or termination or dissolution of the Company without Secured Party's written consent shall be of any force or effect.

8. After any foreclosure upon Debtor's rights to receive Distributions, the undersigned shall promptly and completely comply with the terms of the Security Agreement, regarding the rights of any successor to Debtor's rights to receive Distributions. The undersigned members hereby consent to the admission as a Substitute Member of Secured Party or his assignee upon foreclosure and sale of Debtor's rights in the Collateral pursuant to the Security Agreement.

9. Until such time as they are notified in writing by Secured Party that this Acknowledgment and Consent has been terminated, the undersigned Members shall give Secured Party written notice, at the address set forth above, of any actual or alleged default by Debtor under the Company Agreement and shall afford Secured Party a period of thirty days, or such longer time as may be reasonable under the circumstances, to cure the same prior to taking any action against Debtor in respect thereof; provided, however, that Secured Party shall have no obligation whatsoever to cure or to attempt to cure any such default.

10. Notwithstanding the security interest of Secured Party in the Collateral, Secured Party shall have no obligation or liability whatsoever to the Company, any member thereof, or any creditor or other person having any relationship with the Company, nor shall Secured Party be obligated to perform any of the obligations or duties of Debtor under the Company Agreement or to take any action to collect or enforce any claim for payment of Debtor arising under the Company Agreement.

11. The undersigned acknowledge that the security interest of Secured Party in the Collateral and all of Secured Party's rights and remedies under the Security Agreement may be freely transferred or assigned by Secured Party. In the event of any such transfer or assignment, all of the provisions of this Acknowledgment and Consent shall inure to the benefit of the transferees, successors and assigns of Secured Party. The provisions of this Acknowledgment and Consent shall likewise be binding upon the heirs, successors and assigns of the undersigned.

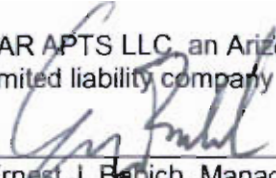
12. The undersigned shall, from time to time, promptly execute and deliver such further instruments, documents and papers and perform such further acts as may be necessary or proper to carry out and effect the terms of this Acknowledgment and Consent.

13. When necessary herein, all terms used in the singular shall apply to the plural, and vice versa, and all terms used in the masculine shall apply to the neuter and feminine genders, and vice versa.

14. This Acknowledgment and Consent may be executed in two or more counterparts, all of which shall constitute one and the same instrument.


Agreed to and executed as of this 8th day of January, 2013.

SHALIMAR APTS LLC, an Arizona
limited liability company

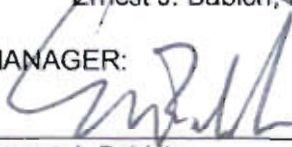
By 
Ernest J. Babich, Manager [Company]

MEMBERS:

HOLIDAY PARTNERS LLC, an Arizona limited
liability company

By 
Ernest J. Babich, Manager

MANAGER:


Ernest J. Babich

**ARTICLES OF ORGANIZATION
OF
SHALIMAR APTS LLC**

Pursuant to A.R.S. § 29-632, the undersigned states as follows:

1. Name. The name of the limited liability company is: SHALIMAR APTS LLC.
2. Known Place of Business. The address of the Company's known place of business in Arizona is: 7373 East Doubletree Ranch Road, Suite 200-17, Scottsdale, Arizona 85258, located in Maricopa County, Arizona.
3. Statutory Agent. The statutory agent's name and address are: Holiday Partners LLC, 7373 East Doubletree Ranch Road, Suite 200-17, Scottsdale, Arizona 85258.
4. Management. Management of the limited liability company is reserved to its Members.
5. Members. The name and address of the sole Member at the time of formation of the limited liability company are:

Holiday Partners LLC
7373 East Doubletree Ranch Road, Suite 200-17, Scottsdale, Arizona 85258

DATED: January 3, 2013

HOLIDAY PARTNERS LLC,
an Arizona limited liability company

By: 
Ernest J. Babich, Manager

ACCEPTANCE OF APPOINTMENT OF STATUTORY AGENT

The undersigned, having been designated to act as Statutory Agent of SHALIMAR APTS LLC, hereby consents to act in that capacity until removed or resignation is submitted in accordance with the Arizona Revised Statutes.

Dated: January __, 2013

HOLIDAY PARTNERS LLC,
an Arizona limited liability company

By: 
Ernest J. Babich, Manager

Exhibit A

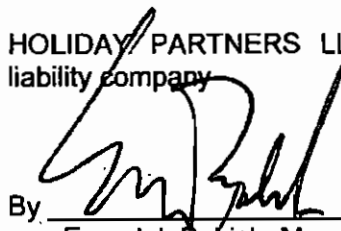
SCHEDULE 4 TO SECURITY AGREEMENT

ASSIGNMENT OF COMPANY INTEREST

For good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Holiday Partners LLC, an Arizona limited liability company ("Assignor") hereby sells, assigns, transfers and conveys to the City of Scottsdale, an Arizona municipal corporation ("Assignee"), all of its right, title and interest in Villa Ventana Apts LLC, an Arizona limited liability company (the "Company"), including Assignor's right to receive from the Company all amounts payable to Assignor. Assignor agrees to indemnify and hold Assignee, their directors, officers, shareholders, members, and each of them, harmless from and against all liability for the obligations of the Company related to the Membership Interest owned by Assignor existing before Assignee's admission to the Company as a member. In consideration of the foregoing transfer, Assignee agrees that, subject to the immediately preceding sentence, they shall be bound by all of the terms and provisions of the Articles of Organization and Operating Agreement governing the Company and shall perform and observe all of the covenants, duties and obligations contained therein from and after the date of Assignee's admission as a member in the Company.

IN WITNESS WHEREOF, the parties have duly executed this Assignment as of _____, 20__.

HOLIDAY PARTNERS LLC, an Arizona limited liability company



By _____
Ernest J. Babich, Manager

[Assignor]

ACCEPTED AND AGREED TO
BY ASSIGNEE:

ASSIGNMENT OF COMPANY INTEREST

For good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Holiday Partners LLC, an Arizona limited liability company ("Assignor") hereby sells, assigns, transfers and conveys to the City of Scottsdale, an Arizona municipal corporation ("Assignee"), all of its right, title and interest in 66TH Place Apts LLC, an Arizona limited liability company (the "Company"), including Assignor's right to receive from the Company all amounts payable to Assignor. Assignor agrees to indemnify and hold Assignee, their directors, officers, shareholders, members, and each of them, harmless from and against all liability for the obligations of the Company related to the Membership Interest owned by Assignor existing before Assignee's admission to the Company as a member. In consideration of the foregoing transfer, Assignee agrees that, subject to the immediately preceding sentence, they shall be bound by all of the terms and provisions of the Articles of Organization and Operating Agreement governing the Company and shall perform and observe all of the covenants, duties and obligations contained therein from and after the date of Assignee's admission as a member in the Company.

IN WITNESS WHEREOF, the parties have duly executed this Assignment as of _____, 20__.

HOLIDAY PARTNERS LLC, an Arizona limited liability company

By


Ernest J. Babich, Manager

[Assignor]

ACCEPTED AND AGREED TO
BY ASSIGNEE:

Attachment 2.

ASSIGNMENT OF COMPANY INTEREST

For good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Holiday Partners LLC, an Arizona limited liability company ("Assignor") hereby sells, assigns, transfers and conveys to the City of Scottsdale, an Arizona municipal corporation ("Assignee"), all of its right, title and interest in Cheery I LLC, an Arizona limited liability company (the "Company"), including Assignor's right to receive from the Company all amounts payable to Assignor. Assignor agrees to indemnify and hold Assignee, their directors, officers, shareholders, members, and each of them, harmless from and against all liability for the obligations of the Company related to the Membership Interest owned by Assignor existing before Assignee's admission to the Company as a member. In consideration of the foregoing transfer, Assignee agrees that, subject to the immediately preceding sentence, they shall be bound by all of the terms and provisions of the Articles of Organization and Operating Agreement governing the Company and shall perform and observe all of the covenants, duties and obligations contained therein from and after the date of Assignee's admission as a member in the Company.

IN WITNESS WHEREOF, the parties have duly executed this Assignment as of _____, 20__.

HOLIDAY PARTNERS LLC, an Arizona limited liability company

By


Ernest J. Babich, Manager

[Assignor]

ACCEPTED AND AGREED TO
BY ASSIGNEE:

ASSIGNMENT OF COMPANY INTEREST

For good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Holiday Partners LLC, an Arizona limited liability company ("Assignor") hereby sells, assigns, transfers and conveys to the City of Scottsdale, an Arizona municipal corporation ("Assignee"), all of its right, title and interest in Cheery II Apts LLC, an Arizona limited liability company (the "Company"), including Assignor's right to receive from the Company all amounts payable to Assignor. Assignor agrees to indemnify and hold Assignee, their directors, officers, shareholders, members, and each of them, harmless from and against all liability for the obligations of the Company related to the Membership Interest owned by Assignor existing before Assignee's admission to the Company as a member. In consideration of the foregoing transfer, Assignee agrees that, subject to the immediately preceding sentence, they shall be bound by all of the terms and provisions of the Articles of Organization and Operating Agreement governing the Company and shall perform and observe all of the covenants, duties and obligations contained therein from and after the date of Assignee's admission as a member in the Company.

IN WITNESS WHEREOF, the parties have duly executed this Assignment as of _____, 20__.

HOLIDAY PARTNERS LLC, an Arizona limited liability company

By


Ernest J. Babich, Manager

[Assignor]

ACCEPTED AND AGREED TO
BY ASSIGNEE:

ASSIGNMENT OF COMPANY INTEREST

For good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Holiday Partners LLC, an Arizona limited liability company ("Assignor") hereby sells, assigns, transfers and conveys to the City of Scottsdale, an Arizona municipal corporation ("Assignee"), all of its right, title and interest in Cheery III Apts LLC, an Arizona limited liability company (the "Company"), including Assignor's right to receive from the Company all amounts payable to Assignor. Assignor agrees to indemnify and hold Assignee, their directors, officers, shareholders, members, and each of them, harmless from and against all liability for the obligations of the Company related to the Membership Interest owned by Assignor existing before Assignee's admission to the Company as a member. In consideration of the foregoing transfer, Assignee agrees that, subject to the immediately preceding sentence, they shall be bound by all of the terms and provisions of the Articles of Organization and Operating Agreement governing the Company and shall perform and observe all of the covenants, duties and obligations contained therein from and after the date of Assignee's admission as a member in the Company.

IN WITNESS WHEREOF, the parties have duly executed this Assignment as of _____, 20__.

HOLIDAY PARTNERS LLC, an Arizona limited liability company

By  _____
Ernest J. Babich, Manager

[Assignor]

ACCEPTED AND AGREED TO
BY ASSIGNEE:

Attachment 2

ASSIGNMENT OF COMPANY INTEREST

For good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Holiday Partners LLC, an Arizona limited liability company ("Assignor") hereby sells, assigns, transfers and conveys to the City of Scottsdale, an Arizona municipal corporation ("Assignee"), all of its right, title and interest in Casa Cibola Apts LLC, an Arizona limited liability company (the "Company"), including Assignor's right to receive from the Company all amounts payable to Assignor. Assignor agrees to indemnify and hold Assignee, their directors, officers, shareholders, members, and each of them, harmless from and against all liability for the obligations of the Company related to the Membership Interest owned by Assignor existing before Assignee's admission to the Company as a member. In consideration of the foregoing transfer, Assignee agrees that, subject to the immediately preceding sentence, they shall be bound by all of the terms and provisions of the Articles of Organization and Operating Agreement governing the Company and shall perform and observe all of the covenants, duties and obligations contained therein from and after the date of Assignee's admission as a member in the Company.

IN WITNESS WHEREOF, the parties have duly executed this Assignment as of _____, 20__.

HOLIDAY PARTNERS LLC, an Arizona limited liability company

By  _____
Ernest J. Babich, Manager

[Assignor]

ACCEPTED AND AGREED TO
BY ASSIGNEE:

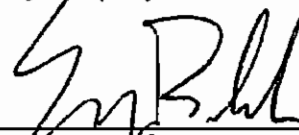
ASSIGNMENT OF COMPANY INTEREST

For good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Holiday Partners LLC, an Arizona limited liability company ("Assignor") hereby sells, assigns, transfers and conveys to the City of Scottsdale, an Arizona municipal corporation ("Assignee"), all of its right, title and interest in Royal Palms Apts LLC, an Arizona limited liability company (the "Company"), including Assignor's right to receive from the Company all amounts payable to Assignor. Assignor agrees to indemnify and hold Assignee, their directors, officers, shareholders, members, and each of them, harmless from and against all liability for the obligations of the Company related to the Membership Interest owned by Assignor existing before Assignee's admission to the Company as a member. In consideration of the foregoing transfer, Assignee agrees that, subject to the immediately preceding sentence, they shall be bound by all of the terms and provisions of the Articles of Organization and Operating Agreement governing the Company and shall perform and observe all of the covenants, duties and obligations contained therein from and after the date of Assignee's admission as a member in the Company.

IN WITNESS WHEREOF, the parties have duly executed this Assignment as of _____, 20__.

HOLIDAY PARTNERS LLC, an Arizona limited liability company

By



Ernest J. Babich, Manager

[Assignor]

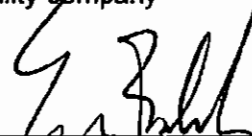
ACCEPTED AND AGREED TO
BY ASSIGNEE:

ASSIGNMENT OF COMPANY INTEREST

For good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Holiday Partners LLC, an Arizona limited liability company ("Assignor") hereby sells, assigns, transfers and conveys to the City of Scottsdale, an Arizona municipal corporation ("Assignee"), all of its right, title and interest in Shalimar Apts LLC, an Arizona limited liability company (the "Company"), including Assignor's right to receive from the Company all amounts payable to Assignor. Assignor agrees to indemnify and hold Assignee, their directors, officers, shareholders, members, and each of them, harmless from and against all liability for the obligations of the Company related to the Membership Interest owned by Assignor existing before Assignee's admission to the Company as a member. In consideration of the foregoing transfer, Assignee agrees that, subject to the immediately preceding sentence, they shall be bound by all of the terms and provisions of the Articles of Organization and Operating Agreement governing the Company and shall perform and observe all of the covenants, duties and obligations contained therein from and after the date of Assignee's admission as a member in the Company.

IN WITNESS WHEREOF, the parties have duly executed this Assignment as of _____, 20__.

HOLIDAY PARTNERS LLC, an Arizona limited liability company

By 

Ernest J. Babich, Manager

[Assignor]

ACCEPTED AND AGREED TO
BY ASSIGNEE:

Attachment 2

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER [optional]
B. SEND ACKNOWLEDGMENT TO: (Name and Address)
City of Scottsdale 7515 East First Street Scottsdale, Arizona 85251 Attn: City Attorney

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S EXACT FULL LEGAL NAME - Insert only one debtor name (1a or 1b) - do not abbreviate or combine names

1a. ORGANIZATION'S NAME					
Holiday Partners LLC					
OR	1b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME	SUFFIX
1c. MAILING ADDRESS					
14700 N. Airport Drive, Suite 209		CITY		STATE	POSTAL CODE
14700 N. Airport Drive, Suite 209		Scottsdale		AZ	85260
1d. SEE INSTRUCTIONS		ADD'L INFO RE ORGANIZATION DEBTOR	1e. TYPE OF ORGANIZATION	1f. JURISDICTION OF ORGANIZATION	1g. ORGANIZATIONAL ID #, if any
1d. SEE INSTRUCTIONS		ADD'L INFO RE ORGANIZATION DEBTOR	LLC	AZ	L1815581-2
					<input type="checkbox"/> NONE

2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - Insert only one debtor name (2a or 2b) - do not abbreviate or combine names

2a. ORGANIZATION'S NAME					
OR	2b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME	SUFFIX
2c. MAILING ADDRESS					
2d. SEE INSTRUCTIONS		ADD'L INFO RE ORGANIZATION DEBTOR	2e. TYPE OF ORGANIZATION	2f. JURISDICTION OF ORGANIZATION	2g. ORGANIZATIONAL ID #, if any
2d. SEE INSTRUCTIONS		ADD'L INFO RE ORGANIZATION DEBTOR			
					<input type="checkbox"/> NONE

3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR S/P) - Insert only one secured party name (3a or 3b)

3a. ORGANIZATION'S NAME					
OR	3b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME	SUFFIX
3c. MAILING ADDRESS					
7515 East First Street		CITY		STATE	POSTAL CODE
7515 East First Street		Scottsdale		AZ	85251
					COUNTRY
					USA

4. This FINANCING STATEMENT covers the following collateral:

One hundred percent of the Membership Interest in each of the following Arizona limited liability companies:

Villa Ventana Apts LLC
66th Place Apts LLC
Cheery I LLC
Cheery II LLC
Cheery III LLC
Casa Cibola Apts LLC
Royal Palms Apts LLC
Shalimar Apts LLC

and all Money or other distributions therefrom, all Proceeds thereof, and all records, writings, paper and data relating to such interests.

5. ALTERNATIVE DESIGNATION (if applicable):	LESSEE/LESSOR	CONSIGNEE/CONSIGNOR	BAILEE/BAILOR	SELLER/BUYER	AG. LIEN	NON-UCC FILING
6. This FINANCING STATEMENT is to be filed (for record) (or recorded) in the REAL ESTATE RECORDS. Attach Addendum (if applicable)	7. Check to REQUEST SEARCH REPORT(S) on Debtor(s) (optional)		All Debtors			
8. OPTIONAL FILER REFERENCE DATA		Debtor 1		Debtor 2		
AZ SOS						

Instructions for UCC Financing Statement (Form UCC1)

Please type or laser-print this form. Be sure it is completely legible. Read all Instructions, especially Instruction 1; correct Debtor name is crucial. Follow Instructions completely.

Fill in form very carefully; mistakes may have important legal consequences. If you have questions, consult your attorney. Filing office cannot give legal advice. Do not insert anything in the open space in the upper portion of this form; it is reserved for filing office use.

When properly completed, send Filing Office Copy, with required fee, to filing office. If you want an acknowledgment, complete item B and, if filing in a filing office that returns an acknowledgment copy furnished by filer, you may also send Acknowledgment Copy; otherwise detach. If you want to make a search request, complete item 7 (after reading Instruction 7 below) and send Search Report Copy, otherwise detach. Always detach Debtor and Secured Party Copies.

If you need to use attachments, you are encouraged to use either Addendum (Form UCC1Ad) or Additional Party (Form UCC1AP).

A. To assist filing offices that might wish to communicate with filer, filer may provide information in item A. This item is optional.

B. Complete item B if you want an acknowledgment sent to you. If filing in a filing office that returns an acknowledgment copy furnished by filer, present simultaneously with this form a carbon or other copy of this form for use as an acknowledgment copy.

1. **Debtor name:** Enter only one Debtor name in item 1, an organization's name (1a) or an individual's name (1b). Enter Debtor's exact full legal name. Don't abbreviate.
 - 1a. **Organization Debtor.** "Organization" means an entity having a legal identity separate from its owner. A partnership is an organization; a sole proprietorship is not an organization, even if it does business under a trade name. If Debtor is a partnership, enter exact full legal name of partnership; you need not enter names of partners as additional Debtors. If Debtor is a registered organization (e.g., corporation, limited partnership, limited liability company), it is advisable to examine Debtor's current filed charter documents to determine Debtor's correct name, organization type, and jurisdiction of organization.
 - 1b. **Individual Debtor.** "Individual" means a natural person; this includes a sole proprietorship, whether or not operating under a trade name. Don't use prefixes (Mr., Mrs., Ms.). Use suffix box only for titles of lineage (Jr., Sr., III) and not for other suffixes or titles (e.g., M.D.). Use married woman's personal name (Mary Smith, not Mrs. John Smith). Enter individual Debtor's family name (surname) in Last Name box, first given name in First Name box, and all additional given names in Middle Name box.
For both organization and individual Debtors: Don't use Debtor's trade name, DBA, AKA, FKA, Division name, etc. in place of or combined with Debtor's legal name; you may add such other names as additional Debtors if you wish (but this is neither required nor recommended).
 - 1c. An address is always required for the Debtor named in 1a or 1b.
 - 1d. Reserved for Financing Statements to be filed in North Dakota or South Dakota only. If this Financing Statement is to be filed in North Dakota or South Dakota, the Debtor's taxpayer identification number (tax ID#) — social security number or employer identification number must be placed in this box.
 - 1e,f,g. "Additional information re organization Debtor" is always required. Type of organization and jurisdiction of organization as well as Debtor's exact legal name can be determined from Debtor's current filed charter document. Organizational ID #, if any, is assigned by the agency where the charter document was filed; this is different from tax ID #; this should be entered preceded by the 2-character U.S. Postal identification of state of organization if one of the United States (e.g., CA12345, for a California corporation whose organizational ID # is 12345); if agency does not assign organizational ID #, check box in item 1g indicating "none."
- Note:** If Debtor is a trust or a trustee acting with respect to property held in trust, enter Debtor's name in item 1 and attach Addendum (Form UCC1Ad) and check appropriate box in item 17. If Debtor is a decedent's estate, enter name of deceased individual in item 1b and attach Addendum (Form UCC1Ad) and check appropriate box in item 17. If Debtor is a transmitting utility or this Financing Statement is filed in connection with a Manufactured-Home Transaction or a Public-Finance Transaction as defined in applicable Commercial Code, attach Addendum (Form UCC1Ad) and check appropriate box in item 18.
2. If an additional Debtor is included, complete item 2, determined and formatted per instruction 1. To include further additional Debtors, attach either Addendum (Form UCC1Ad) or Additional Party (Form UCC1AP) and follow Instruction 1 for determining and formatting additional names.
 3. Enter information for Secured Party or Total Assignee, determined and formatted per instruction 1. To include further additional Secured Parties, attach either Addendum (Form UCC1Ad) or Additional Party (Form UCC1AP) and follow Instruction 1 for determining and formatting additional names. If there has been a total assignment of the Secured Party's Interest prior to filing this form, you may either (1) enter Assignor S/P's name and address in item 3 and file an Amendment (Form UCC3) [see item 5 of that form]; or (2) enter Total Assignee's name and address in item 3 end, if you wish, also attaching Addendum (Form UCC1Ad) giving Assignor S/P's name and address in item 12.
 4. Use item 4 to indicate the collateral covered by this Financing Statement. If space in item 4 is insufficient, put the entire collateral description or continuation of the collateral description on either Addendum (Form UCC1Ad) or other attached additional page(s).
 5. If filer desires (at filer's option) to use titles of lessee and lessor, or consignee and consignor, or seller and buyer (in the case of accounts or chattel paper), or bailee and bailor instead of Debtor and Secured Party, check the appropriate box in item 5. If this is an agricultural lien (as defined in applicable Commercial Code) filing or is otherwise not a UCC security interest filing (e.g., a tax lien, judgment lien, etc.), check the appropriate box in item 5, complete items 1-7 as applicable and attach any other items required under other law.
 6. If this Financing Statement is filed as a fixture filing or if the collateral consists of timber to be cut or as-extracted collateral, complete items 1-5, check the box in item 6, and complete the required information (items 13, 14 and/or 15) on Addendum (Form UCC1Ad).
 7. This item is optional. Check appropriate box in item 7 to request Search Report(s) on all or some of the Debtors named in this Financing Statement. The Report will list all Financing Statements on file against the designated Debtor on the date of the Report, including this Financing Statement. There is an additional fee for each Report. If you have checked a box in item 7, file Search Report Copy together with Filing Officer Copy (and Acknowledgment Copy). Note: Not all states do searches and not all states will honor a search request made via this form; some states require a separate request form.
 8. This item is optional and is for filer's use only. For filer's convenience of reference, filer may enter in item 8 any identifying information (e.g., Secured Party's loan number, law firm file number, Debtor's name or other identification, state in which form is being filed, etc.) that filer may find useful.

RESOLUTION NO. 9305

A RESOLUTION OF THE COUNCIL OF THE CITY OF SCOTTSDALE, ARIZONA, AUTHORIZING THE MAYOR TO EXECUTE CONTRACTS FOR THE PURPOSE OF A SETTLEMENT WITH COMMUNITY SERVICES OF ARIZONA ("CSA") ALLOWING IT TO TRANSFER EIGHT MULTIFAMILY PROPERTIES FUNDED WITH FEDERAL HOME INVESTMENT PARTNERSHIP ("HOME") PROGRAM FUNDS TO QUANTUM REALTY PARTNERS, LLC, OR ITS AFFILIATED ENTITY(IES), DESIGNEE(S) OR NOMINEE(S), AND PROVIDING FOR THE LIMITATIONS ARISING FROM THE USE OF THOSE HOME FUNDS TO REMAIN IN PLACE FOR THE REQUIRED PERIODS OF TIME.

WHEREAS, Federal Home Investment Partnership ("HOME") funds are provided by the Department of Housing and Urban Development ("HUD") and are available to the City of Scottsdale as a result of the City's participation in the Maricopa HOME Consortium; and

WHEREAS, between 1996 and 2006, Community Services of Arizona (CSA), a non-profit organization, received HOME funds in the total amount of \$4,002,061 for the acquisition, rehabilitation and rental of eight multi-family properties in Scottsdale to provide housing opportunities to low and moderate income persons; and

WHEREAS, HOME Program regulations require that HOME funded properties provide affordable housing for low-income families for a set period of affordability, and CSA's eight multifamily properties have affordability periods ranging between 15 to 20 years; and

WHEREAS, CSA has requested the City's consent to sell all eight properties as one portfolio to Quantum Realty Partners, LLC ("Quantum"), a for profit entity, or Quantum's affiliated entity(ies), designee(s) or nominee(s), which would own and continue to operate the properties as affordable rental units during the remaining affordability periods; and

WHEREAS, Quantum has identified Holiday Partners, LLC, as its nominee for purposes of this conveyance; and

WHEREAS, the City's consent is required for such conveyance of the properties pursuant to existing agreements between the City and CSA; and

WHEREAS, the Parties wish to execute agreements that will authorize CSA's conveyance of its eight multi-family properties and allow the City to preserve low income housing for the City's residents, maintain the affordability periods for each of the properties and protect the City's obligations and interests under the HOME Program;

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Scottsdale as follows:

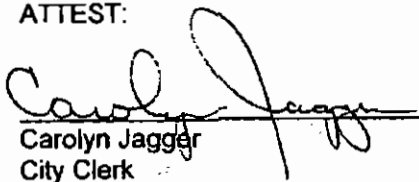
Section 1. The mayor is hereby authorized and directed to execute, on behalf of the City, the contracts listed below for the purpose of a settlement with Community Services of Arizona, Inc. (CSA), allowing it to transfer eight multi-family properties that were funded with federal Home Investment Partnership Program (HOME) funds to Quantum Realty Partners, LLC, or its affiliated entity(ies), designee(s) or nominee(s), and providing for the limitations arising from the use of those HOME funds to remain in place for the required periods of time:

- a) Agreement No. 2013-013-COS, Release Agreement between the City and CSA;
- b) Agreement No. 2013-014-COS, Buyer's Agreement between the City and Holiday Partners, LLC, as nominee of Quantum Realty Partners, LLC;
- c) Agreement No. 2013-015-COS, Loan Restructuring Agreement between the City and Holiday Partners, LLC, as nominee of Quantum Realty Partners, LLC;
- d) Agreement No. 2013-016-COS; Declarations of Affirmative Land Use Restrictive Covenants for the property called Casa Cibola:
Address: 3202-3208 N. 68th Street, Scottsdale, AZ, 85251;
Legal Description: Lots 80 and 81, HOLIDAY PARK, according to Book 76 of Maps, Page 14, Official Records of Maricopa County, Arizona;
- e) Agreement No. 2013-017-COS; Declarations of Affirmative Land Use Restrictive Covenants for the property called Villa Ventura:
Address: 3230 N. 66th Place, Scottsdale, AZ, 85251;
Legal Description: Lots 53 and 54, HOLIDAY PARK, according to Book 76 of Maps, Page 14, Official Records of Maricopa County, Arizona;
- f) Agreement No. 2013-018-COS; Declarations of Affirmative Land Use Restrictive Covenants for the property called Cheery Lynn II:
Address: 6702 E. Cheery Lynn Road, Scottsdale, AZ, 85251;
Legal Description: Lot Forty (40), HOLIDAY PARK UNIT TWO, according to Book 76 of Maps, Page 24, Official Records of Maricopa County, Arizona;
- g) Agreement No. 2013-019-COS; Declarations of Affirmative Land Use Restrictive Covenants for the property called Cheery Lynn III:
Address: 6638 and 6644 E. Cheery Lynn Road, Scottsdale, AZ, 85251;
Legal Description: Lots 38 and 39, HOLIDAY PARK UNIT TWO, according to Box 76 of Maps, Page 24, Official Records of Maricopa County, Arizona;
- h) Agreement No. 2013-020-COS; Declarations of Affirmative Land Use Restrictive Covenants for the property called Shalimar Sands:
Address: 6824 E. 4th Street, Scottsdale, AZ, 85251;
Legal Description: Lots 3 and 4, AZURA SCOTTSDALE, a Subdivision recorded in Book 77 of Maps, Page 10, Official Records of Maricopa County, Arizona;

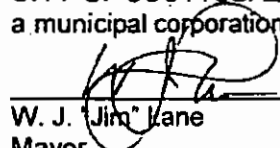
- i) Agreement No. 2013-021-COS; Declarations of Affirmative Land Use Restrictive Covenants for the property called Royal Palms:
Address: 4525 N. 74th Street, Scottsdale, AZ, 85251;
Legal Description: Lots 25, 26 and 27, DARYL ESTATES UNIT TWO, according to Book 61 of Maps, Page 48, Official Records of Maricopa County, Arizona;
- j) Agreement No. 2013-022-COS; Declarations of Affirmative Land Use Restrictive Covenants for the property called 66th Place:
Address: 3231 N. 66th Place, Scottsdale, AZ, 85251;
Legal Description: Lots 69 and 70, of HOLIDAY PARK, according to the plat of record in the Office of the County Recorder of Maricopa County, Arizona, recorded in Book 76 of Maps, Page 14 and Certificate of Correction recorded as 90-0491511, of Official Records;
- k) Agreement No. 2013-023-COS; Declarations of Affirmative Land Use Restrictive Covenants for the property called Cheery Lynn I:
Address: 6701 and 6707 E. Cheery Lynn Road, Scottsdale AZ, 85251;
Legal Description: Lots 30 and 31 HOLIDAY PART UNIT TWO, according to Book 76 of Maps, Page 24, Official Records of Maricopa County, Arizona,

PASSED AND ADOPTED by the Council of the City of Scottsdale, Arizona, this 8th day of January 2013.

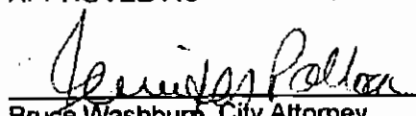
ATTEST:


Carolyn Jagger
City Clerk

CITY OF SCOTTSDALE,
a municipal corporation


W. J. "Jim" Kane
Mayor

APPROVED AS TO FORM:


Bruce Washburn, City Attorney
By: Jennifer Pollock
Assistant City Attorney